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NORSK HYDRO (UK) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1989

LOAN ACCOUNTS
26 JUN 1990
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NORSK HYDRO (UK) LIMITED

DIRECTORS' REPORT

Directors: J.M. Clay (Chairman)
J.G. Speirs (Managing Director)
T. Aakvaag
A. Ringnes
S. Kjos

Secretary: S.J. Warren

Registered Office: Bridge House, 69 London Road, Twickenham, Middlesex.

The directors present their report for the year ended 31 December 1989.

ACCOUNTS AND DIVIDENDS

The directors submit the audited accounts for the year ended 31 December 1989. The profit for the year attributable to shareholders amounts to £ 14,299,000 and is dealt with as shown in the consolidated profit and loss account.

Following a change of accounting reference date by the Company (but not its subsidiaries) from 31 December to 31 July, audited accounts of the Company (but not of the Group) were prepared in respect of the seven month period ended 31 July 1989. Consequently the comparative figures on the Company's balance sheet relate to the Company's state of affairs at 31 July 1989 rather than at 31 December 1988.

The Company has since reverted to an accounting reference date of 31 December, with effect from 31 December 1989. Its results for the full year to 31 December 1989 are incorporated in the consolidated profit and loss account.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The activities of the Group consist of the manufacture and distribution of fertilizers and chemicals, PVC resin and compounds and various aluminium products, and marine farming. It is the intention of the directors to carry on these activities.

The Company sold its freehold property at 49 York Street, Twickenham in June 1989 for £1,535,000; and in July 1989 it purchased from Hydro Fertilizers Limited the latter company's fertilizer plant at Immingham for £108,388,924 and leased the plant back to Hydro Fertilizers Limited. Details of these movements in fixed assets are contained in note 13 to the Accounts.

In July 1989 the Company issued additional share capital of £190,333,335 in redeemable shares of £1 each to Norsk Hydro a.s by way of capitalisation of loans due from the Company to Norsk Hydro a.s.

A new subsidiary company, Hydro Food Products Limited, was formed in October 1989 to develop a value added seafood business for the Hydro Group.

DIRECTORS' REPORT (Continued)

REVIEW OF GROUP'S PRINCIPAL TRADING COMPANIES

(i) HYDRO FERTILIZERS LIMITED

The Company, with its subsidiaries, has continued to carry on the business of manufacturers and distributors of fertilizers and chemicals. With effect from 1st January 1989 the Company's Agronomics Department was acquired by Levington Agriculture Limited in which three former employees now have shareholdings.

During the year the disposal of the Avonmouth chemical storage and rail sidings site was completed. The sale of the Levington Research Station premises was not completed in the Autumn as planned but since the year end this transaction has been successfully concluded.

The move of the administrative functions from Levington to the main Immingham factory was completed in the Autumn and a small unit which includes the Head Office was established on the Cambridge Science Park.

(ii) HYDRO POLYMERS LIMITED

This company's main market continued to be the United Kingdom where demand for their products in the main remained firm. However, weakness in some areas, notably domestic appliances, and falling real margins led to a reduction in the company's profitability over 1988, which was a record year.

In PVC, the principal product, total sales volume showed little change over the preceding year and with nearly static prices and falling operating margins, profitability was reduced. Local resin production was again effectively sold out. It is probable that 1990 will show little, if any, growth in demand.

Rationalisation of the range of PVC compounds continued through 1989 but the effect was less noticeable than in the preceding year as many of the changes had already occurred. With slightly reduced demand in the United Kingdom, price and margin competition increased, resulting in a fall in profitability. The growth of advanced PVC compounds was slow.

(iii) HYDRO ALUMINIUM GROUP COMPANIES

(a) Century Aluminium Company Limited

1989 proved to be a difficult year. The first quarter was quite buoyant but, with lower demand seen for most of the remainder of the year and high raw material prices, margins were squeezed. Favourable price movements resulted in increased margins in the latter part of the year.

DIRECTORS REPORT (Continued)

Productivity at all plants continued to improve as the company gained the benefit of investments made in previous years.

Investments in the year were principally targetted at continuing improvements in quality, productivity and operating cost at both the Sanguhar and Birtley plants. Plans for the near future include significant investments to improve the working environment at all company sites, and a major modernisation plan at Birtley.

(b) Aluminium Precision Extruders Limited

Profit before taxation was lower than in 1988 principally as a result of weaker market demand and some dislocation associated with a major capital development programme.

The company, known as Alupres, succeeded in maintaining its share of a very competitive market, in which demand for extruded aluminium products declined at a time when capacity was increasing. Demand in the home improvement sector was particularly weak.

The capital development programme was completed with the commissioning of a new 2,200 tonne press and an automatic anodising line in the Autumn of 1989 at a combined capital cost of some £4 million. This programme has added significantly to the company's capacity and productivity potential.

(c) Other aluminium companies

Hydro Aluminium Metals Limited (formerly Alumelt Limited) had another successful year. Volumes and margins were particularly strong in the earlier part of the year, following which remelt business from the aluminium extruders reduced somewhat as the market for extruded products declined. The company also continued successfully to represent Hydro Aluminium's smelters and other associated plants as regards sales and technical support in the UK of foundry products.

Hydro Aluminium Westbrom Limited achieved a very satisfactory increase in volume although margins were a little lower than the previous year's. Nordisk Aviation Products Limited also had a satisfactory year, with an increase in turnover and profit before taxation.

Hydro Aluminium Packaging Limited (formerly ASV Packaging Limited) had a particularly disappointing year, with a considerably increased loss. A new Managing Director was appointed in March 1990.

DIRECTORS' REPORT (Continued)

(iv) GOLDEN SEA PRODUCE LIMITED

1989 proved a difficult year for salmon farming world wide following a substantial fall in market prices over the second half of the year which was in the main a consequence of the high production levels in Norway. In particular the price for small sized fish fell to levels well below the cost of production.

The expansion of the company's operations progressed during the year, with the major purchase of a new well boat for transport of live stocks to and from the company's farms, and further new investment particularly associated with the sea cage farming activities in Scotland. The company's fish farming site in Portland Harbour, Dorset, was closed as a result of health problems.

RESEARCH AND DEVELOPMENT

Certain companies in the Group have programmes for the development of new and improved products and processes. As stated in the accounting policies the costs of research and development are written off in the year in which the expenditure is incurred.

DIRECTORS AND THEIR INTERESTS

The directors of the Company during the year ended 31 December 1989 were those listed above. No director had any interest in the shares of the Company or any of the subsidiaries during the year. No contract or arrangement entered into by the Company in which any director is interested has subsisted during the year.

EMPLOYEE INVOLVEMENT AND CONSULTATIVE ARRANGEMENTS

The Norsk Hydro Group continues to encourage actively the policy of communication and consultation with its employees. With the rapid increase in the number of employees in recent years, both in Norway and even more throughout the rest of Europe, considerable use continues to be made of magazines, newsletters and information bulletins to keep employees informed.

However, the Group's subsidiaries in the different countries are also encouraged to operate this policy in accordance with local good practice and with their own needs. Since the size of the subsidiaries varies considerably in the UK, the arrangements for employee involvement and consultation vary similarly. For example in some cases the General Manager is able to communicate and consult directly with his employees, while in larger companies it is the practice to use briefing groups.

DIRECTORS' REPORT (Continued)

During the year Hydro Aluminium Group companies in the UK participated in the Group's share option scheme for the first time. Under the terms of the scheme, full-time employees with one year or more of service with the Company or its subsidiaries are offered options to buy a number of shares in Norsk Hydro a.s between three and ten years from the date of offer at a stock market price which is fixed at the time of the offer. The scheme is approved by the Inland Revenue under Paragraph 1, Schedule 10 of the Finance Act 1984.

HEALTH AND SAFETY AT WORK ACT 1974

The requirements of the Health and Safety at Work Act 1974 have been drawn to the attention of all employees in the Group and close management attention is given to the health and safety of all workers. The declared objective of the Norsk Hydro a.s Group is to achieve a further 50% reduction in the accident rate, so that Norsk Hydro is clearly ranked among the leading companies in Europe in this field.

DISABLED PERSONS

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons.

Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company's employment.

CHARITABLE DONATIONS

The Group has made gifts during the year for charitable purposes of £9,185.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



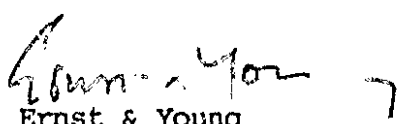
S.J. Warren
Secretary

June 13, 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF NORSE HYDRO (UK) LIMITED

We have audited the accounts set out on pages 7 to 34 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young

Chartered Accountants

London, 13 June 1990

NOREK HYDRO (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	Note	1989 £000	1988 £000
TURNOVER	2	403,406	379,239
Other operating income		1,128	1,863
OPERATING COSTS	3	380,568	358,008
OPERATING PROFIT	4	23,966	23,094
Share of Profit of associated companies		1,947	971
Other interest receivable and similar income	7	4,322	5,728
Exceptional Items	8	(43)	4,110
		30,192	33,903
Interest payable and similar charges	9	(10,330)	(2,983)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,862	30,920
Taxation	10	5,247	3,122
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,615	27,798
Minority interests		316	397
PROFIT BEFORE EXTRAORDINARY ITEMS		14,299	27,401
Extraordinary items	11	-	159
PROFIT FOR THE FINANCIAL YEAR		14,299	27,242

NCRSK HYDRO (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

STATEMENT OF ACCUMULATED LOSSES
AS AT 31 DECEMBER 1989

	Note	1989 £000	1988 £000
Balance at 1 January 1989 as originally stated		(41,469)	(68,866)
Prior year adjustment	1(n)	1,960	-
		<hr/>	<hr/>
As restated		(39,509)	(68,866)
Profit for the year		14,299	27,242
Exchange adjustment		(47)	-
Realisation of previously unrealised profit upon liquidation of subsidiary company		-	1,235
Retained earnings of subsidiary company not previously consolidated		-	1,264
Transfer to other reserves		(217)	(384)
		<hr/>	<hr/>
Balance at 31 December 1989	12	(25,474)	(39,509)
		<hr/>	<hr/>


CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1989

	Note	1989 £000	1988 £000
FIXED ASSETS			
Tangible assets	13	151,838	153,660
Investments	14	8,291	7,984
		<hr/>	<hr/>
		160,129	161,644
CURRENT ASSETS			
Stocks			
Debtors	15	51,860	63,746
Investments	16	107,698	91,750
Cash at bank and in hand	17	112	112
		12,400	7,910
		<hr/>	<hr/>
		172,070	163,518
CREDITORS - amounts falling due within one year			
Bank loans and overdrafts			
Trade and other creditors	18	1,563	3,889
		94,815	93,351
		<hr/>	<hr/>
		96,378	97,240
NET CURRENT ASSETS			
		<hr/>	<hr/>
		75,692	66,278
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		235,821	227,922
CREDITORS - amounts falling due after more than one year			
	19	46,607	243,900
PROVISIONS FOR LIABILITIES AND CHARGES			
	21	10,121	8,767
DEFERRED INCOME			
	22	4,838	4,263
CONVERTIBLE LOAN			
	24	2,500	2,500
CAPITAL AND RESERVES			
Called up share capital	25	193,000	2,667
Other reserves	26	1,450	2,643
Profit and loss account		(25,474)	(39,509)
		<hr/>	<hr/>
		168,976	(34,199)
		<hr/>	<hr/>
		233,042	225,231
MINORITY INTERESTS			
	27	2,779	2,691
		<hr/>	<hr/>
		235,821	227,922
		<hr/>	<hr/>



 Directors

June 13, 1990



NORSK HYDRO (UK) LIMITED

10

BALANCE SHEET - 31 DECEMBER 1989

	Note	31.12.89 £000	31.7.89 £000
FIXED ASSETS			
Tangible assets	13	110,201	109,459
Investments	14	101,372	101,372
		<hr/>	<hr/>
		211,573	210,831
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	15	9	8
Debtors	16	7,357	4,609
Cash at bank and in hand		296	131
		<hr/>	<hr/>
		7,662	4,748
		<hr/>	<hr/>
CREDITORS - amounts falling due within one year			
Bank loans and overdrafts		1,431	1,103
Trade and other creditors	18	6,531	2,286
		<hr/>	<hr/>
		7,962	3,389
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)		(300)	1,359
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		211,273	212,190
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	21	4,076	2,961
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	25	193,000	193,000
Profit and loss account		14,197	16,229
		<hr/>	<hr/>
		207,197	209,229
		<hr/>	<hr/>
		211,273	212,190
		<hr/>	<hr/>



} Directors

June 13, 1990

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

SOURCES OF FUNDS	1989 £000	1988 £000
FROM OPERATIONS		
Profit on ordinary activities before taxation	19,862	30,920
Adjustment for items not involving the movement of funds		
Depreciation	15,288	18,759
Profit on sale of fixed assets	(793)	(5,149)
Investment grant movement	695	(325)
Share of profits of associated companies	(563)	(212)
Provisions for liabilities and charges	(2,525)	(3,685)
	<hr/>	<hr/>
Total generated from operations	31,964	40,308
OTHER SOURCES		
Share issue	190,333	667
Proceeds from disposal of tangible fixed assets	11,565	8,637
Proceeds from disposal of fixed asset investments	-	651
Loans	1,716	2,680
Acquisition of previously unconsolidated subsidiary	-	283
Minority interest acquired in year	-	34
Exchange adjustments	44	-
	<hr/>	<hr/>
	235,622	53,260
	<hr/>	<hr/>
FUNDS APPLIED		
Purchase of tangible fixed assets	24,248	26,709
Taxation paid	1,437	1,279
Dividends paid	10	-
Repayments of loans	197,464	7,402
Reduction in obligation under finance leases	1,665	2,533
Acquisition of subsidiary company (Note 26)	1,278	-
Acquisition of associated companies in year	-	879
Extraordinary item costs written off	-	159
	<hr/>	<hr/>
	226,103	38,961
	<hr/>	<hr/>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

	1989 £000	1988 £000
INCREASE IN WORKING CAPITAL	9,519	14,299
Arising from movements in:		
Stocks		
Investments	(11,886)	18,295
Debtors	-	112
Creditors	15,948	26,916
	(1,359)	(38,294)
	<hr/>	<hr/>
	2,703	7,029
Net liquid funds		
- cash	4,490	5,827
- bank overdraft	2,326	1,443
	<hr/>	<hr/>
	9,519	14,299
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company for the two accounting periods end during 1989 and of each of its subsidiaries for the year ended 31 December 1989. As explained in the directors report following a change of accounting reference date by the Company, accounts of the Company (but not of the Group) were prepared for the 7 months ended 31 July 1989. The results of subsidiary and associated companies sold or acquired during the year are included in the Group profit and loss account up to or from the effective dates of sale or acquisition.

(c) Associated companies and other trade investments

A company is defined as an associated company if, not being a subsidiary, it satisfies the following requirements:

- (i) the Group has a beneficial interest of 20% or more in its equity share capital, and
- (ii) the Group is in a position to exercise a significant influence on its commercial and financial policies.

The Group's share of profits, less losses, of significant associated companies is included in the consolidated profit and loss account and its share of post-acquisition reserves is included in the consolidated balance sheet. The figures relating to associated companies are taken from their latest available statutory or management accounts for the year to 31 December 1989. Details of associated companies are listed in note 14. The profits of other companies in which the Group holds shares as trade investments are included only to the extent of dividends received.

(d) Debtors

Provision is made against all debts where there is doubt as to their recoverability.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1. ACCOUNTING POLICIES (Continued)

(e) Depreciation and amortisation

Freehold land is not depreciated. The cost of other fixed assets is written off by equal instalments over their expected useful lives as follows:

Industrial buildings	25 - 50 years
Leasehold property	Over the term of the lease
Office equipment, furniture and fittings	5 - 15 years
Plant and machinery	7 - 15 years
Motor vehicles	3 - 4 years
Commercial vehicles	6.67 years
Computer equipment	3 years

Depreciation is calculated from the month of purchase of the asset, with the exception of plant and buildings under construction when the effective date is the month in which the asset is brought into use.

(f) Government Grants

Capital grants are credited to a deferral account and released to the profit and loss account over the useful life of the assets to which they relate.

(g) Capitalised interest

Interest is capitalised as part of the cost of property or plant under construction when:

- (i) the construction period exceeds 12 months and
- (ii) the interest incurred on the construction project exceeds £50,000.

Interest is calculated on a day to day basis based on the rate of interest paid by the Company on its overdraft facilities.

(h) Assets held on lease

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the assets are capitalised and the corresponding leasing commitments are shown as obligations under finance leases. Other leases are considered to be operating leases and the lease payments are written off to the profit and loss account as they are incurred.

(i) Goodwill

Goodwill arising on the acquisition of subsidiary and associated companies is calculated by reference to fair values of assets acquired and is charged to reserves in the year in which it arises.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1. ACCOUNTING POLICIES (Continued)

(j) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences which are not expected to continue in the foreseeable future.

(k) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads has regard to budgeted normal production.

(l) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

(m) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

(n) Pension benefits

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

This is a change of accounting policy following adoption of SSAP 24. In previous years, the charge to the profit and loss account was the actual amount of contributions made by the employer to the schemes. The accounts for the year to 31 December 1988 have been restated.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1. ACCOUNTING POLICIES (Continued)

(n) Pension benefits (continued)

Pension benefits are funded over the employee's periods of service through self administered pension funds. The companies' contributions are based on the most recent actuarial valuation of the funds and are charged to the profit & loss account as incurred.

(o) Interest payable under finance leases

The total interest payable under a finance lease is allocated to accounting periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the obligation for each period.

2. ANALYSIS OF TURNOVER AND PROFITS/(LOSSES) BETWEEN ACTIVITIES AND MARKETS

Turnover

Turnover comprises the invoiced value, excluding VAT, of goods supplied and commissions earned by the Group excluding inter Group transactions.

The amount of Group turnover and the extent of the profit on ordinary activities before taxation attributable to each of the classes of activity of the group are as follows:

	Turnover		Profit/(Loss) on ordinary activities before taxation	
	1989 £000	1988 £000	1989 £000	1988 £000
Chemical fertilizers	173,447	149,597	8,548	7,009
Petrochemicals	127,613	125,624	10,195	12,165
Aluminium	88,367	94,622	3,150	6,491
Aquaculture	8,729	5,896	(320)	173
Other	5,250	3,500	(1,711)	3,122
	<hr/> 403,406	<hr/> 379,239	<hr/> 19,862	<hr/> 28,960

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

2. ANALYSIS OF TURNOVER AND PROFITS/(LOSSES) BETWEEN ACTIVITIES AND MARKETS (Continued)

A geographical analysis of turnover is as follows:

	1989 £000	1988 £000
United Kingdom	379,119	358,448
Overseas countries	24,287	20,791
	<hr/>	<hr/>
	403,406	379,239
	<hr/>	<hr/>

3. OPERATING COSTS

	1989 £000	1988 £000
(Decrease)/Increase in stocks of finished goods and work in progress	10,348	(11,623)
Raw materials and consumables	263,065	265,202
Other external charges	16,092	13,536
Staff costs:		
wages and salaries	35,576	33,455
social security costs	2,982	2,569
other pension costs	926	2,193
Depreciation	15,288	13,018
Other operating charges	36,428	40,396
Finance charges re leased assets	-	437
Profit on exchange	(17)	(2)
Own work capitalised	(120)	(13)
	<hr/>	<hr/>
	380,568	359,968
	<hr/>	<hr/>

4. OPERATING PROFIT is stated after charging:

	1989 £000	1988 £000
Hire of plant and machinery (including rentals on operating leases)	1,366	1,729
Rental of premises	247	150
Other operating lease charges	1,138	411
Auditors' remuneration	210	217

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

5. EMOLUMENTS OF DIRECTORS

	1989 £000	1988 £000
Fees	22	20
Other emoluments including pension contributions	79	70
	<hr/>	<hr/>
	101	90
	<hr/>	<hr/>

The emoluments excluding pension contributions, of directors of the Company are detailed as follows:

	1989 £000	1988 £000
Chairman	6	6
Highest paid director	59	54
	Number of directors	
Other directors, in scale		
Not more than £5,000	2	2
£5,000 - £10,000	1	1

6. EMPLOYEES

The average number of persons employed by the Group, including directors, during the year was as follows:

	1989	1988
Chemical Fertilizers	943	988
Petrochemicals	706	686
Aluminium	585	662
Aquaculture	139	123
Other	17	16
	<hr/>	<hr/>
	2,490	2,475
	<hr/>	<hr/>

The number of employees, other than directors, whose remuneration excluding pension contributions paid by the Company exceeded £30,000 was as follows:

	1989	1988
£30,000 - £35,000	2	1
£35,000 - £40,000	1	1

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1989 £000	1988 £000
Interest received from companies within Norsk Hydro a.s Group	2,167	700
Dividends received	1,230	2,483
Distribution from liquidated subsidiary	-	1,482
Other interest received	722	687
Rental income	35	85
Other income	168	291
	<hr/> 4,322	<hr/> 5,728

8. EXCEPTIONAL ITEMS

	1989 £000	1988 £000
Restructuring		
Profits on disposals of fixed assets	365	1,779
Redundancies	(177)	(965)
Other	(231)	107
	<hr/> (43)	<hr/> 921
Profit on sale of land	-	3,189
	<hr/> (43)	<hr/> 4,110

9. Interest payable and similar charges

	1989 £000	1988 £000
Interest paid to companies within Norsk Hydro a.s Group	9,451	2,068
Interest paid on bank loans and overdrafts	879	615
Loss on sale of investments	-	300
	<hr/> 10,330	<hr/> 2,983

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

10. TAXATION

The charge based on profit for the year comprises:	1989 Group £000	1988 Group £000
Corporation tax at 35%	7	-
Tax on Franked Income	311	315
Deferred taxation	3,879	1,880
Overseas taxation - associated companies	1,125	759
- subsidiaries	-	205
Consortium relief from disposed investment	-	(37)
Adjustment in respect of prior periods	(75)	-
	<hr/> 5,247 <hr/>	<hr/> 3,122 <hr/>

Tax losses available to be carried forward against future profits assessable to corporation tax, are estimated as follows:

	1989 £000	1988 £000
Group	54,000	68,700
Company	-	-
	<hr/> 54,000 <hr/>	<hr/> 68,700 <hr/>

11. EXTRAORDINARY ITEMS

	1989 £000	1988 £000
Costs written off by a subsidiary in relation to a spillage of chlorine at Hunterston	-	(159)
	<hr/> - <hr/>	<hr/> (159) <hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

12. ACCUMULATED LOSSES AT 31 DECEMBER 1989

	1989 £000	1988 £000
Retained by:		
The Company	14,197	15,245
Subsidiaries	(40,051)	(56,476)
Share of Associated company reserves	380	(238)
	<hr/>	<hr/>
	(25,474)	(41,469)
	<hr/>	<hr/>

In accordance with the exemption allowed by section 228(7) of the Companies Act 1985, the Company has not presented its own profit and loss account for the accounting period ended 31 December 1989. Following a change of accounting reference date by the Company (but not its subsidiaries) from 31 December to 31 July audited accounts of the Company (but not of the Group) were prepared in respect of the seven month period ended 31 July 1989.

Of the Group result for the financial year a profit of £984,000 has been dealt with in the accounts of the Company for the 7 months ended 31 July and a loss of £2,031,637 dealt with in the accounts of the Company for the 5 months ended 31 December (1988 - a profit of £3,004,259).

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

13. TANGIBLE FIXED ASSETS

	At 1 January 1989 £000	Additions and reclassifi- cations £000	Disposals and transfers £000	At 31 December 1989 £000
GROUP				
At cost				
Freehold property	12,210	795	1,903	11,102
Short leasehold property	2,264	350	61	2,553
Long leasehold property	23,000	2,282	1,205	24,077
Plant and machinery, motor vehicles and fittings	150,581	12,555	4,885	158,251
Plant and buildings under construction	6,980	8,266	5,193	10,053
	<u>195,035</u>	<u>24,248</u>	<u>13,247</u>	<u>206,036</u>
Depreciation				
Freehold property	1,873	301	221	1,953
Short leasehold property	631	159	6	784
Long leasehold property	1,495	1,302	49	2,748
Plant and machinery motor vehicles and fittings	37,278	13,526	2,103	48,701
Plant and buildings under construction	98	-	86	12
	<u>41,375</u>	<u>15,288</u>	<u>2,465</u>	<u>54,198</u>
Net Book Value	<u>153,660</u>			<u>151,838</u>

The total of plant and machinery, motor vehicles and fittings includes assets with a net book value of £6,946,996 which are held under finance leases. £1,231,767 of depreciation was charged on these assets during the period (1988 - £1,308,250 on assets with a net book value of £11,341,094).

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

13. TANGIBLE FIXED ASSETS (Continued)

COMPANY	At 1 August 1989 £000	Additions and reclassifi- cations £000	Disposals £000	At 31 December 1989 £000
At cost				
Freehold property	552	285	-	837
Short leasehold property	109	-	-	109
Long leasehold property	22,266	1,119	4	23,381
Plant, equipment and fittings	83,965	1,533	293	85,205
Motor vehicles	187	49	38	198
Plant and buildings under construction	2,793	1,831	-	4,624
	<hr/> 109,872	<hr/> 4,817	<hr/> 335	<hr/> 114,354
Depreciation				
Freehold property	26	5	-	31
Short leasehold property	13	2	-	15
Long leasehold property	7	547	-	554
Plant, equipment and fittings	293	3,211	16	3,488
Motor vehicles	74	22	31	65
	<hr/> 413	<hr/> 3,787	<hr/> 47	<hr/> 4,153
Net book value	<hr/> 109,459			<hr/> 110,201

Included in the above cost is £108,389,000 (nil depreciation) of fixed assets acquired by Norsk Hydro(UK)Limited on 31 July 1989 from a subsidiary company, Hydro Fertilizers Limited, and leased back under the terms of an operating lease. These fixed assets are analysed as follows:

	£000
Long leasehold property	22,082
Plant, equipment and fittings	83,488
Motor vehicles	26
Plant and building under construction	2,793
	<hr/> 108,389

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

14. FIXED ASSET INVESTMENTS

	Group		Company	
	1989 £000	1988 £000	31.12.89 £000	31.7.89 £000
Subsidiary companies				
Shares at cost	-	-	99,717	99,717
Less: provision for diminution in value	-	-	25	25
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	99,692	99,692
Associated companies	6,819	6,512	208	208
Unlisted investments	1,472	1,472	1,472	1,472
	<hr/>	<hr/>	<hr/>	<hr/>
	8,291	7,984	101,372	101,372
	<hr/>	<hr/>	<hr/>	<hr/>

The Company's principal subsidiaries at 31 December 1989 were:

Company	Country of registration	Nature of business	Proportion of ordinary shares held
Hydro Fertilizers Limited	England	Manufacture and distribution of chemical fertilizers	100%
Fertrachem Limited *	England	Traders in chemicals and chemical fertilizers	100%
Hydro Polymers Limited	England	Production, compounding and marketing of PVC	100%
NACO UK Limited	England	Holding company for aluminium interests	100%
Hydro Aluminium Metals Limited * (formerly Alumelt Ltd)	England	Remelting scrap aluminium into aluminium billet	100%
Aluminium Precision Extruders Limited *	England	Manufacture and processing of aluminium extrusions	100%

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

14. FIXED ASSETS INVESTMENTS (Continued)

Principal Subsidiaries (Continued)

Hydro Aluminium Packaging Limited* (formerly ASV Packaging Limited)	England	Manufacture of extruded aluminium packaging	100%
Century Aluminium Company Limited *	Scotland	Manufacture and processing of aluminium extrusions	100%
Hydro Aluminium UK Limited *	England	Sale of aluminium rolled products	100%
Hydro Aluminium Westbrom Limited *	England	Manufacture and processing of aluminium products	100%
Nordisk Aviation Products Limited *	England	Repair and maint- enance of air cargo equipment	100%
Golden Sea Produce Limited	England	Farming of marine species	100%
Norsk Hydro Zimbabwe (Private) Limited	Zimbabwe	Investment company	100%

All shares are held by the Company with the exception of those marked with an asterisk.

ASSOCIATED COMPANIES

	1989 £000	1988 £000
Share of net assets At 1 January 1989	6,512	(350)
Additions in year	-	879
Share in retained profit for year	563	212
Exchange adjustment	(256)	-
Accumulated interest of previously unconsolidated subsidiary at 1 January 1988	-	5,771
	<u>6,819</u>	<u>6,512</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

14. FIXED ASSET INVESTMENTS (Continued)

The Group's interest in associated companies at 31 December 1989 was:

Company	Country of registration	Nature of Business	Proportion of shares held
Lindrey Dock Services Limited (in voluntary liquidation)	England	Stevedoring	50%
S & S Filled Fibres Limited	India	Plastics production	25%
AFF Holdings Limited	Zimbabwe	Holding company for fertilizer distributors in southern Africa	45%
Windmill Zimbabwe (Private) Limited	Zimbabwe	Fertilizer distributors	20%
Spa Aluminium Limited	England	Aluminium merchants and anodisers	36%

15. STOCKS

	1989		31.12.88	31.7.89
	Group £000	Company £000	Group £000	Company £000
Raw materials	19,113	-	20,604	-
Semi-manufactured goods	5,679	-	6,066	-
Finished goods	27,068	9	37,076	8
	<hr/>	<hr/>	<hr/>	<hr/>
	51,860	9	63,746	8
	<hr/>	<hr/>	<hr/>	<hr/>

The replacement cost of stocks at 31 December 1989 and 1988 is not materially different from the above values.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

16. DEBTORS

	1989		31.12.88	31.7.89
	Group £000	Company £000	Group £000	Company £000
Due within one year				
Trade debtors	76,456	502	69,159	422
Amounts owed by subsidiaries	-	962	-	152
Amounts owed by Group companies	17,805	282	13,588	640
Other debtors	6,002	16	2,230	243
Prepayments and accrued income	7,269	379	6,726	143
Taxation - Group relief	-	5,191	-	2,983
Bills receivable	121	-	-	-
Amounts owed by associated companies	-	-	-	1
	<hr/> 107,653	<hr/> 7,332	<hr/> 91,703	<hr/> 4,584
Due after more than one year				
Long term loan	20	-	22	-
Loan to employee	25	25	25	25
	<hr/> 107,698	<hr/> 7,357	<hr/> 91,750	<hr/> 4,609

The loan to employee represents one loan of £25,000 to an officer of the Company.

17. INVESTMENTS

Investments comprise Certificates of Tax deposit.

18. TRADE AND OTHER CREDITORS

	1989		31.12.88	31.7.89
	Group £000	Company £000	Group £000	Company £000
Trade creditors	19,650	302	23,785	178
Other creditors	5,979	-	561	42
Amounts owed to subsidiaries	-	4,473	-	15
Amounts owed to Group companies	50,064	1,528	41,898	1,859
Accruals and deferred income	11,742	207	20,686	167
Taxation and social security	5,536	21	4,149	25
Obligations under finance leases	1,739	-	2,272	-
Dividends payable to a minority	105	-	-	-
	<hr/> 94,815	<hr/> 6,531	<hr/> 93,351	<hr/> 2,286

Included in amounts due to Group companies is £95,333 which is in respect of the current portion of long term parent company loans.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

19. CREDITORS - amounts falling due after more than one year

	1989		31.12.88	31.7.89
	Group £000	Company £000	Group £000	Company £000
Finance leases	2,753	-	4,418	-
Amounts due to parent company	42,915	-	239,068	-
Regional Development Grants	354	-	234	-
Loans	148	-	180	-
Ship mortgage finance	437	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	46,607	-	243,900	-
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts due to parent company after more than one year comprise the following loans:

	Repayment dates	1989 £000	1988 £000
To company			
Interest free with repayment over five years in 10 equal instalments on receipt of three months notice from the lender:		-	18,000
		-	30,000
	No fixed date	-	40,000
		<hr/>	<hr/>
To Group companies		-	88,000
Interest bearing (1% over National Westminster Bank base rate) with repayment over five years in 10 equal instalments on receipt of three months notice from the lender: No fixed date		-	35,000
Interest bearing (1% over National Westminster Bank base rate) with repayment over ten years commencing 30 September 1989:	1988 - 1997	-	45,000
Variable interest bearing (interest at an agreed rate, failure to agree will result in interest at 0.5% over National Westminster Bank base rate, current rate is nil) with repayment over five years in 10 equal instalments on receipt of three months notice from the lender, not to commence before December 1992:	No fixed date	21,611	30,000

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

19. Creditors - Amounts falling due after more than one year (Cont'd)

Amounts due to the parent company (continued)

		1989 £000	1988 £000
Variable interest bearing (interest free until 20 December 1989, thereafter 0.5% over National Westminster Bank base rate) with repayment over five years in 10 equal instalments on receipt of three months notice from the lender:	No fixed date	-	15,000
Interest bearing (0.5 per cent over National Westminster Bank base rate) with repayment over a minimum of 5 years as agreed by both parties:	No fixed date	1,000	5,000
Interest free with repayment over a minimum of five years as agreed by both parties:	No fixed date	10,000	10,000
Interest bearing (1% over National Westminster Bank base rate) repayable at £95,333 per annum:	1985 - 1994	334	429
Interest free for 5 years from 31 December 1986 and continuing interest free unless otherwise agreed. Repayment over five years in 10 equal instalments on receipt of three months notice, not to commence before 1992:	No fixed date	9,319	9,829
Interest free, repayable over five years in 10 equal instalments on receipt of three months notice:	No fixed date	651	810
		<hr/>	<hr/>
		42,915	239,068
		<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

19. CREDITORS (Continued)

Note:

Some of those loans which have no fixed repayment dates can be called in to commence repayment in accordance with the loan agreements at three months notice during 1990. The lender has given no notice to date that any of those loans will commence repayment during 1990.

The repayments of parent company loans fall due as follows:

	1989	31.12.88	31.7.89
	Group £000	Company £000	Group £000
Within 12 months	95	-	5,095
Between 1-2 years	95	-	5,095
Between 2-5 years	239	-	15,286
After 5 years	-	-	25,048
No fixed repayment date	42,581	-	193,639
	<hr/>	<hr/>	<hr/>
	43,010	-	244,163
	<hr/>	<hr/>	<hr/>

The repayments due within 12 months have been included in current liabilities.

20. LEASING COMMITMENTS

The future minimum finance lease payments to which the group and company is committed as at 31 December 1989 are as follows:

	1989	31.12.88	31.7.89
	Group £000	Company £000	Group £000
Due within one year	1,193	-	2,272
Due within two to five years	2,473	-	4,418
Due after five years	-	-	-
	<hr/>	<hr/>	<hr/>
	3,666	-	6,690
	<hr/>	<hr/>	<hr/>

Payments committed under operating leases for payment during 1990 are analysed within periods of expiry of the lease as follows:

	1989	31.12.88	31.7.89
	Group £000	Company £000	Group £000
Expiring within one year	665	-	393
Expiring within two to five years	1,268	-	1,907
Expiring after five years	2,331	381	405
	<hr/>	<hr/>	<hr/>
	4,264	381	2,705
	<hr/>	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1989	1988	31.12.89	31.7.89
	£000	£000	£000	£000
Restructuring provision	566	2,559	-	-
Deferred taxation	9,555	5,676	4,076	2,961
Other provisions	-	532	-	-
	<u>10,121</u>	<u>8,767</u>	<u>4,076</u>	<u>2,961</u>

The deferred taxation account at 31 December 1989 comprises:

	Group		Company	
	1989	1988	31.12.89	31.7.89
	£000	£000	£000	£000
Capital allowance in advance of depreciation	9,293	5,121	4,076	2,961
Other timing differences	262	555	-	-
	<u>9,555</u>	<u>5,676</u>	<u>4,076</u>	<u>2,961</u>

22. DEFERRED INCOME

	Group	
	1989	1988
	£000	£000
Capital Grants received	<u>4,838</u>	<u>4,263</u>

23. PENSION SCHEMES

The companies within the Group operate a number of pension schemes. The schemes are all of the defined benefit type with assets held in trust separately from the companies.

The pension cost charge is determined by each scheme's qualified consulting actuaries. The charges for the years ended 31 December 1988 and 31 December 1989 are based on the most recent valuations, which took place at dates between 5 April 1987 and 31 December 1989.

Several different valuation methods were employed: the two principal schemes used the projected unit credit method and the attained age method respectively. The principal actuarial assumptions adopted by each of those schemes were that the annual rate of return on investments would be, respectively, 1.75% and 1.5% higher than the general level of increase in pensionable earnings and, in each case, 4% higher than the annual rate of increase of present and future pensions.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

23. PENSION SCHEMES (Continued)

At the dates of the most recent actuarial valuations the various schemes had assets with a total market value of approximately £110 million. Generally, the actuarial values of the assets of the schemes were materially in excess of the amounts required to cover the benefits that had accrued to members after allowing for expected future increases in pensionable earnings.

The pension cost for the period was £568,386 (1988- £54,572 credit). A prepayment of £3,616,617 (1988 - £1,960,472) is included in debtors representing the excess of the contributions paid over the pension cost during the period.

24. CONVERTIBLE LOAN	Group	
	1989 £000	1988 £000
Group	2,500	2,500

Convertible loan stock represents a series of subordinated unsecured loan notes payable to Hydro Aluminium a.s., a wholly owned subsidiary of Norsk Hydro a.s., and with an aggregate principal amount of £2.5 million. Interest will not be payable or accrue on the principal sum until 1 January 1990, at which date interest will be payable at normal bank base rates.

The subsidiary to which this loan is made may redeem with effect from 1 January 1990 all or any part of this together with any interest accrued thereon by an allotment of the subsidiary's ordinary share capital under the terms of the loan note issuing document dated 8 October 1985.

25. CALLED UP SHARE CAPITAL		
	1989 £000	1988 £000
Authorised, allotted and fully paid		
Ordinary shares of £1 each	2,667	2,667
Redeemable shares of £1 each	190,333	-
	<hr/>	<hr/>
	193,000	2,667
	<hr/>	<hr/>

On 31 July 1989 the Company issued 190,333,335 redeemable shares of £1 each to Norsk Hydro a.s. by way of capitalisation of loans due to Norsk Hydro a.s. The Company has the right to redeem all or any of the redeemable shares at any time.

NORSK HYDRO (UK) LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

26. OTHER RESERVES

	1989 £000
At 1 January 1989	2,643
Write back of revaluation reserve	(6)
Capital reserve of subsidiary company arising from revaluation of investment during year	223
Exchange adjustments arising on translation of net investments in overseas subsidiaries	(131)
Transfer to profit & loss account of previously unrealised profit following liquidation of a subsidiary company	-
Capital reserves of subsidiary company not previously consolidated	-
Capital reserve arising upon consolidation	-
Goodwill arising upon acquisition of subsidiaries during year written off	(1,279)
	<hr/>
At 31 December 1989	1,450
	<hr/>

27. MINORITY INTERESTS

Represents the share of the profits/(losses) on ordinary ,
after taxation attributable to the interests of sharehold
subsidiaries which are not wholly owned by the Company or
subsidiaries. The movement on the account in 1989 is des

	£000
Balance as at 1 January 1989	2,691
Profit for the year	316
Prior year adjustment	2
Dividends paid and proposed	(115)
Exchange adjustment	(115)
	<hr/>
Balance as at 31 December 1989	2,779
	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

28. CAPITAL COMMITMENTS

At 31 December 1989 the directors have authorised future capital expenditure which, without taking account of Government grants, amounts to:

	Group		Company	
	1989	1988	31.12.89	31.7.89
	£000	£000	£000	£000
Contracted	2,526	2,870	130	4,470
Not contracted	1,304	1,948	681	348
	<hr/>	<hr/>	<hr/>	<hr/>
	3,830	4,818	811	91
	<hr/>	<hr/>	<hr/>	<hr/>

29. CONTINGENT LIABILITIES

Certain subsidiary companies have contingent liabilities in respect of bills discounted of £8,625,499 at 31 December 1989 (31 December 1988 - £6,143,260). One subsidiary has a contingent liability of £30,000 in respect of a lease relating to land at Hunterston.

30. POST BALANCE SHEET EVENT

On 2 May 1990, a subsidiary, Hydro Fertilizers Limited, announced a restructure of its production operations. This company's granulation plant will cease production by the end of September 1990 as will the Broadfield plant which produces superphosphate intermediates. It is expected that the cost of closure will amount to approximately £12 million. No provision has been made in these accounts for these costs.

31. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Norsk Hydro a.s which is incorporated in Norway.