

**SAPA BUILDING SYSTEMS LIMITED**  
**ANNUAL REPORT**  
**YEAR ENDED 31st DECEMBER 2004**  
**Co. No. 1029071**



**SAPA BUILDING SYSTEMS LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31st DECEMBER 2004**

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## **SAPA BUILDING SYSTEMS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 2004**

The directors present their report and the audited financial statements for the year ended 31st December 2004.

#### **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 year ended 31st December 2004. 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 6.

The company's principal activity is the marketing and manufacture of architectural aluminium systems for the home improvement and commercial markets.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

2004 saw modest growth in turnover and profitability. Activity continued on the successful development and launching of new products, that will enable the company to grow successfully in 2005 onwards.

#### **DIVIDENDS**

The directors do not recommend the payment of an ordinary dividend (2003:£Nil).

#### **RESEARCH AND DEVELOPMENT**

The company has maintained its commitment in the area of research and development. Continuity of investment in this area will ensure that the company retains its market leadership role.

## **SAPA BUILDING SYSTEMS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31st DECEMBER 2004**

#### **DIRECTORS**

The directors of the company at 31st December 2004, all of whom have been directors for the whole of the year ended on that date (except as stated) are listed below:-

A.P. Daniels	-	Appointed 31 <sup>st</sup> March 2004
F.L. Coeffic	-	Resigned 16 <sup>th</sup> August 2005
S.J. Curtis	-	Resigned 31 <sup>st</sup> March 2004
L.C. Elliott	-	Appointed 31 <sup>st</sup> March 2004 Resigned 31 <sup>st</sup> December 2004
J. Palethorpe	-	Resigned 31 <sup>st</sup> March 2004
A.J. Rogers	-	Resigned 31 <sup>st</sup> March 2004
N.K. Sissons		

No director has had any beneficial interest in the shares of the company during the year ended 31<sup>st</sup> December 2004.

#### **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**

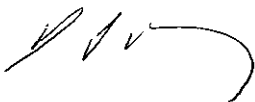
The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

#### **AUDITORS**

In accordance with the Companies Act 1985 (Section 379A) and Section 386, a resolution to dispense with the annual appointment of auditors was made on 9th July 1996.

BY ORDER OF THE BOARD

ALEXANDRA WAY  
ASHCHURCH  
TEWKESBURY  
GLOUCESTERSHIRE

  
D.P. ASHBY  
COMPANY SECRETARY  
13 OCTOBER 2005

## **SAPA BUILDING SYSTEMS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAPA BUILDING SYSTEMS LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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, if in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

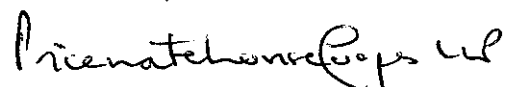
#### **BASIS OF AUDIT OPINION**

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 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 of the state of the company's affairs at 31<sup>st</sup> December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
BRISTOL, 25 October 2005

## **SAPA BUILDING SYSTEMS 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 applied consistently, 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**

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

Freehold property	2.5%
Leasehold property	over the life of the lease
Plant and equipment	10% - 50%
Office equipment and fittings	20% - 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 participates in the Sapa Holdings Limited Pension and Life Assurance Scheme, a funded defined benefit pension scheme under which contributions are made to a separately administered trust fund.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the participating employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit method. Any variations identified as a result of actuarial valuations are spread over the anticipated remaining service lives of the participating employees.

From 1<sup>st</sup> August 2003 a stakeholder scheme was introduced and contributions are charged to the profit and loss account as they become payable.

## **SAPA BUILDING SYSTEMS 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 are charged to the profit and loss account on a straight line basis over the term of the lease.

**SAPA BUILDING SYSTEMS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31st DECEMBER 2004**

		2004 £000	2003 £000
<b>TURNOVER</b>	Note 1	29,081	28,711
Cost of sales		(21,433)	(21,005)
<b>GROSS PROFIT</b>		<b>7,648</b>	<b>7,706</b>
Distribution costs		(800)	(1,001)
Administrative expenses		(6,062)	(6,080)
<b>OPERATING PROFIT</b>		<b>786</b>	<b>625</b>
Interest receivable and similar income	4	-	10
Interest payable and similar charges	5	(148)	(123)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>638</b>	<b>512</b>
Taxation	6	(229)	(201)
<b>RETAINED PROFIT FOR THE YEAR</b>	14	<b>409</b>	<b>311</b>

All of the above figures are derived from the continuing operations of the company.

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

*There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.*



# SAPA BUILDING SYSTEMS LIMITED

## BALANCE SHEET

31st DECEMBER 2004

	Note	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Tangible Assets	7	5,058	5,376
		<u>5,058</u>	<u>5,376</u>
<b>CURRENT ASSETS</b>			
Stocks	8	3,985	4,063
Debtors	9	5,383	4,371
Cash at bank and in hand		3	3
		<u>9,371</u>	<u>8,437</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	(6,493)	(6,316)
<b>NET CURRENT ASSETS</b>		<u>2,878</u>	<u>2,121</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,936</u>	<u>7,497</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	11	(1,416)	(1,416)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(79)	(49)
<b>NET ASSETS</b>		<u>6,441</u>	<u>6,032</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,420	1,420
Profit and loss account	14	5,021	4,612
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>6,441</u>	<u>6,032</u>

The financial statements on pages 4 to 14 were approved by the Board of Directors on and were signed on its behalf by:

13<sup>th</sup> October 2005

  
N.K. SISSONS  
DIRECTOR

**SAPA BUILDING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st DECEMBER 2004**

**1. TURNOVER**

Turnover is mainly attributable to the marketing and manufacture of aluminium systems for the home improvement and commercial markets.

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

	2004 £000	2003 £000
United Kingdom	28,887	28,541
Europe	194	170
	<u>29,081</u>	<u>28,711</u>

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

**Profit on ordinary activities before taxation is stated after charging:-**

Hire of plant and machinery	58	48
Depreciation of owned fixed assets	729	759
Operating lease rentals - Land and buildings	120	114
- Plant and equipment	433	475
Research and development	313	302
	<u>          </u>	<u>          </u>
Fees paid to auditors:		
Audit fees	16	16
Other fees for non-audit services	-	2
	<u>16</u>	<u>18</u>

# SAPA BUILDING SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2004

	2004 £000	2003 £000
<b>3. EMPLOYEES</b>		
<b>Staff costs during the year:-</b>		
Wages and salaries	5,089	5,461
Social security costs	501	522
Pension costs	349	287
	<b>5,939</b>	<b>6,270</b>
	<u>Number</u>	<u>Number</u>
<b>The average weekly number of employees was made up as follows:-</b>		
Production	129	144
Office and administration	90	105
	<b>219</b>	<b>249</b>
	<u>2004 £000</u>	<u>2003 £000</u>
<b>DIRECTORS' EMOLUMENTS</b>		
<b>Aggregate directors' emoluments</b>		
Aggregate emoluments	165	462
Company pension contributions to money purchase scheme	11	17
	<b>176</b>	<b>479</b>
	<u>Highest paid director</u>	<u>Highest paid director</u>
Aggregate emoluments	108	140
Defined benefit scheme:		
Accrued pension at year end	14	36

Retirement benefits are accruing to one director under the company's defined benefit scheme.

The emoluments of F.L.Coeffic and A.P. Daniels are paid for by Sapa AB. Their services to Sapa Building Systems Limited are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Sapa AB. Accordingly the above details include no emoluments in respect of the aforementioned director.

	2004 £000	2003 £000
<b>4. INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
Bank interest receivable	-	4
Other	-	6
	<b>-</b>	<b>10</b>

**SAPA BUILDING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st DECEMBER 2004**

	2004 £000	2003 £000
<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
On bank overdraft	148	123
	-----	-----
<b>6. TAXATION</b>		
<b>Analysis of charge in the year</b>		
<b>UK</b>		
<b>Current Tax</b>		
Corporation tax	245	237
Adjustment to current tax in respect of prior years	(46)	(24)
	-----	-----
	199	213
<b>Deferred Tax</b>		
Origination and reversal of timing differences	30	(12)
	-----	-----
<b>Tax on profit on ordinary activities</b>	<b>229</b>	<b>201</b>
	-----	-----
<b>Factors affecting tax charge for the period</b>		
The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
	2004 £000	2003 £000
<b>Profit on ordinary activities before taxation</b>	638	512
	-----	-----
<b>Profit on ordinary activities at the standard UK tax rate of 30% (2003: 30%)</b>	192	153
<b>Effects of:</b>		
Expenses not deductible for tax purposes	48	59
Capital allowances for period in excess of depreciation	5	25
Adjustments to tax charge in respect of prior years	(46)	(24)
	-----	-----
<b>Current tax charge</b>	<b>199</b>	<b>213</b>
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**SAPA BUILDING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st DECEMBER 2004**

**7. TANGIBLE ASSETS**

	Freehold Land and Property £000	Short Leasehold £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
<b>COST</b>					
1st January 2004	4,386	26	6,431	84	10,927
Additions	-	-	519	-	519
Disposals	-	-	(207)	-	(207)
31st December 2004	4,386	26	6,743	84	11,239
<b>DEPRECIATION</b>					
1st January 2004	1,151	20	4,296	84	5,551
Charge for the year	79	2	648	-	729
Disposals	-	-	(99)	-	(99)
31st December 2004	1,230	22	4,845	84	6,181
<b>NET BOOK VALUE</b>					
31st December 2004	3,156	4	1,898	-	5,058
31st December 2003	3,235	6	2,135	-	5,376

Freehold land amounting to £1,250,000 (2003: £1,250,000) has not been depreciated.

	2004 £000	2003 £000
<b>8. STOCKS</b>		
Raw materials and consumables	2,237	2,294
Work in progress	167	243
Finished goods	1,581	1,526
	<b>3,985</b>	<b>4,063</b>
<b>9. DEBTORS</b>		
Trade debtors	4,744	3,847
Amounts owed by group undertakings	77	72
Other debtors	139	36
Prepayments and accrued income	423	416
	<b>5,383</b>	<b>4,371</b>

# SAPA BUILDING SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2004

	2004 £000	2003 £000
<b>10. CREDITORS: Amounts falling due within one year</b>		
Bank overdraft	2,203	1,649
Trade creditors	1,569	1,595
Amounts owed to group undertakings	1,635	2,195
Corporation tax	72	159
Taxation and social security	708	508
Other creditors	11	29
Accruals	295	181
	<b>6,493</b>	<b>6,316</b>

## 11. CREDITORS: Amounts falling due after more than one year

Amounts owed to group undertakings	<b>1,416</b>	<b>1,416</b>
------------------------------------	--------------	--------------

Amounts owed to group undertakings are unsecured, have no fixed repayment terms and are interest free.

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for deferred tax is as follows:

	2004 £000	2003 £000
Accelerated capital allowances	80	56
Other timing differences	(1)	(7)
	<b>79</b>	<b>49</b>

Movements in the provision are as follows:

### Deferred Taxation

At 1 <sup>st</sup> January	49	61
Charge/(Credit) to profit and loss account	30	(12)
At 31 <sup>st</sup> December	<b>79</b>	<b>49</b>

Deferred tax assets from short term timing differences not recognised in the financial statements are £Nil (2003:£Nil).

## 13. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
<b>Authorised Equity</b>		
2,000,000 ordinary shares of £1 each	2,000	2,000
<b>Allotted and fully paid Equity</b>		
1,420,320 ordinary shares of £1 each	1,420	1,420

# SAPA BUILDING SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2004

### 14. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £000	Profit and Loss Reserve £000	2004 Total £000	2003 Total £000
At 1st January	1,420	4,612	6,032	5,721
Profit for the financial year	-	409	409	311
At 31st December	1,420	5,021	6,441	6,032

### 15. FINANCIAL COMMITMENTS

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

	Land and Buildings		Other	
	2004 £000	2003 £000	2004 £000	2003 £000
Operating leases which expire:				
within one year	-	-	162	218
within two to five years	117	-	111	161
	117	-	273	379

### 16. PENSION COMMITMENTS

#### (a) SSAP 24 disclosure

The company participates in Sapa Holdings Limited Pension and Life Assurance Scheme, a funded defined benefit pension scheme under which contributions are made to a separately administered trust fund. This scheme was closed to new members on 1<sup>st</sup> July 1997.

Contributions to the scheme are determined with the advice of independent qualified actuaries who recommend the projected unit method. The fund is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The most recent valuation was conducted as at 6<sup>th</sup> April 2003 the results of which are disclosed in the accounts of Sapa UK Limited.

The company participated in the Sapa Holdings Limited Money Purchase Pension Scheme until November 2002 when the scheme was replaced by the stakeholder pension scheme. Both of these schemes are defined contribution pension schemes. The assets of these schemes are held separately to those of the company in an independently administered fund.

The transactions with the pension schemes during the year were as follows:-

	Contributions	
	2004 £000	2003 £000
Defined benefit scheme	153	133
Defined contribution schemes	160	154
	313	287

## **SAPA BUILDING SYSTEMS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31<sup>st</sup> DECEMBER 2004**

#### **16. PENSION COMMITMENTS (continued)**

##### **(b) FRS 17 Transitional Disclosure**

The company participates in the Sapa Holdings Limited Pension and Life Assurance Scheme as described above. As it has not been possible to identify the underlying assets and liabilities attributable to each participating company, multi-employer treatment and therefore accounting on a defined contribution basis is applied.

An actuarial valuation of the Scheme made at 31<sup>st</sup> December 2004 resulted in a deficit of £8,472,000 (2003: £8,773,000) none of which has been recognised in the company accounts.

#### **17. CONTINGENT LIABILITIES**

The company has given an unlimited guarantee over the bank indebtedness of Sapa Profiles Limited, Sapa UK Limited, Plan-it Tewkesbury Limited and Sapa Pressweld Limited.

The company has received a claim from one of its customers for damages. No court proceedings have been served and the claim has been denied and will be defended by the company.

#### **18. CASH FLOW STATEMENTS**

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

#### **19. RELATED PARTY TRANSACTIONS**

Transactions with entities that are part of the Sapa AB group are not disclosed as the company has taken advantage of exemptions in FRS8, being a 100% owned subsidiary.

#### **20. PARENT COMPANIES**

The company is a subsidiary undertaking and is controlled by Granges Products Limited which is registered in England. Throughout the year ended 31<sup>st</sup> December 2004, the ultimate parent company and controlling party was Elkem ASA which is incorporated in Norway.

The largest group into which the results of the company are consolidated is that of which Elkem ASA is the parent company. The consolidated accounts of Elkem ASA may be obtained from Corporate Headquarters, Hoffsveien 65B, P.O.Box 5211, Majorstuen, N-0303 Oslo, Norway.

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

In March 2005, Orkla ASA, a company registered in Norway, acquired the group of which Elkem ASA was the parent company and therefore Orkla ASA became the ultimate parent company and controlling party with effect from that date. The consolidated accounts of Orkla ASA may be obtained from Corporate Headquarters, P.O. Box 423 Skoyen, Oslo, Norway.