Sapa Building Systems Limited

Report and Financial Statements

31 December 2013

Directors

N Sissons
J Vos (Appointed 10 February 2014)
J Palethorpe
K Cookson
M Robinson
N Eley
P Strong
S Viner

Secretary

S Viner

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

Handelsbanken
1145 Regent Court
The Square
Gloucester Business Park
Gloucester GL3 4AD

Registered Office

5300 Severn Drive
Tewkesbury
Gloucestershire GL20 8SF

Strategic report

The directors present their strategic report for the year ended 31 December 2013.

Review of the business

Sapa Building Systems is a major force in the UK fenestration industry. We offer architects, specifiers, developers, fabricators, installers and householders a wide range of innovative aluminium systems for curtain walling, doors, windows, conservatory roofs and specialist applications.

The profit for the year after taxation amounted to £351,000 (2012 – profit of £586,000). The directors paid a dividend of £2,000,000 (2012 – £2,000,000).

The company's key financial performance indicators during the year were as follows:

	2013	*2012*	*Change*
	£000	*£000*	*%*
Turnover	33,933	32,368	4.8%
Profit after tax	351	586	-40%
Shareholder's funds	8,097	9,746	-17%

Turnover has increased by £1.6m during the year due to the market recovery and a gain in market share in both residential and commercial sector which was in line with the directors' expectations. Shareholders' funds have reduced due to the dividend payments made in the year.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate 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 levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest costs.

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.

Competitive risks

The company is exposed to commodity price risk and exchange rate fluctuations as a result of its operations. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by Sapa AS, our parent undertaking. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Exposure to price, credit, liquidity and cash flow risk

Credit risks

The company has implemented policies that require appropriate credit checks on potential customers before sales are made and monitoring of current customers. 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 risks

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.

By order of the board

S Viner

S Viner
Secretary

29th September 2014

Directors' report

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The profit for the year after taxation amounted to £351,000 (2012 – profit of £586,000). The directors paid a dividend of £2,000,000 (2012 – £2,000,000).

Research and development

The company continues to invest in research and development and thereby launch and update new systems which is evidence of the company's commitment to maintaining its position of a key innovator in the industry

Future developments

The continuing investment in and launch of new advanced products for the commercial and residential sectors continues to underpin sales as growth returns to the UK market.

Business environment

The residential sector especially new build returned to growth in 2013 and the commercial sector showed signs of recovery with growth particularly in the London market sectors. The directors are confident that growth will continue into 2014. The domestic residential market started to show sign of improvement during the latter half of 2013, with the Government initiative, Help to Buy scheme supporting demand for private housing.

There are also more positive signs that in the wider economy with the government pledging more infrastructure projects for 2014 and beyond.

The outlook for 2014/15 is therefore more promising with growth expected in most areas of the business, however price competitive pressures will remain strong.

Strategy

The company objective is to achieve growth and returns in line with the expectations of its shareholders. This is to be achieved by a combination of continuous investment in product ranges which are customer and project focused, with ongoing investment in new equipment and technology to reduce costs and continued investment in our workforce through training, job development and new strategic initiatives.

Product range

The continuing enhancement of the product offer with ever increasing thermally advanced and innovative products such as DualFrame 75SI, Elegance Curtain Walling has been further extended with the addition of C160 and Artline Sliders combined with the availability of new "Passive House" products. The Crown residential window and door range continues to grow and meet the challenging needs of the domestic residential market.

Directors' report

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, liquidity and cash flow risk are described in these statutory financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors who served the company during the year were as follows:

N Sissons	
M Robinson	
H Johansson	(Resigned 29 November 2013)
K Cookson	
N Eley	
J Palethorpe	
P Strong	
S Viner	

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 involvement

The success of the company depends largely on its employees and the company continues to keep them informed on matters affecting them. Investment in on the job training and all aspects of health and safety is key. We undertake regular team briefing sessions which provide a two way communication flow and result in greater understanding from all employees regarding the aims and goals of the company. Regular staff appraisals are performed and the company retains its 'Investors in People' award.

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. Regular Health and Safety committee meetings, including both employee and company representatives, ensure the development and implementation of health and safety standards.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Auditors

In accordance with an elective resolution passed under the Companies Act 1985, which continues in force under the Companies Act 2006, Ernst & Young LLP are deemed to continue as auditors.

By order of the Board

S Viner

S Viner
Secretary
29^{th} September 2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Sapa Building Systems Limited

We have audited the financial statements of Sapa Building Systems Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and Strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

- In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Sapa Building Systems Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Ken Griffin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

29 September 2014

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	33,933	32,368
Cost of sales		(25,097)	(23,988)
Gross profit		8,836	8,380
Distribution costs		(1,062)	(1,073)
Administrative expenses		(7,169)	(6,560)
Operating profit	3	605	747
Interest receivable and similar income	6	-	-
Interest payable and similar charges	7	-	-
Profit on ordinary activities before taxation		605	747
Tax	8	(254)	(161)
Profit for the financial year	15	351	586

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £351,000 in the year ended 31 December 2013 (2012 – profit of £586,000).

Balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	10	2,088	2,218
Current assets			
Stocks	11	3,131	3,230
Debtors	12	7,722	7,991
Cash at bank and in hand		2,593	4,175
		13,446	15,396
Creditors: amounts falling due within one year	13	(7,437)	(7,868)
Net current assets		6,009	7,528
Total assets less current liabilities		8,097	9,746
Net assets		8,097	9,746
Capital and reserves			
Called up share capital	14	1,420	1,420
Profit and loss account	15	6,677	8,326
Shareholders' funds	15	8,097	9,746

Nigel

N Sissons
Director
29th September 2014

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Statement of cash flows

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

Turnover

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

Tangible fixed assets

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

Leasehold property	–	over the life of the lease
Plant and equipment	–	10% - 50%
Office equipment and fittings	–	20% - 50%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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.

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.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

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. As it is not 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.

The company also operates a defined contribution stakeholder pension scheme.

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

2. Turnover

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

An analysis of turnover by geographical market is given below:

	2013	*2012*
	£000	*£000*
United Kingdom	33,407	31,514
Europe	526	753
Australia	-	101
	33,933	32,368

3. Operating profit

This is stated after charging:

		2013	*2012*
		£000	*£000*
Auditors' remuneration	– audit services	33	25
	– non-audit services	5	7
		38	32
Depreciation		509	425
Research and development		280	213
Operating lease rentals	– plant and machinery	481	513
	– land and buildings	675	662

Notes to the financial statements

at 31 December 2013

4. Directors' remuneration

	2013	*2012*
	£000	*£000*
Remuneration	733	615
Company contributions paid to defined contribution pension schemes	31	25
	764	640
In respect of the highest paid director:		
Remuneration	152	117
Defined benefit scheme – accrued pension at year end	32	28
	184	145

Retirement benefits are accruing to 2 directors under the company's defined benefit scheme (2012 – 2).

The remuneration of H Johansson was paid for by Sapa AS. His services to Sapa Building Systems Limited are of a non-executive nature and his remuneration was deemed to be wholly attributable to his services to Sapa AS. Accordingly, the above details include no remuneration in respect of the aforementioned director.

5. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	4,964	5,003
Social security costs	507	516
Other pension costs	390	358
	5,861	5,877

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Production	77	80
Office and administration	69	71
	146	151

6. Interest receivable and similar income

	2013	*2012*
	£000	*£000*
Other interest receivable	-	-

Notes to the financial statements

at 31 December 2013

7. Interest payable and similar charges

	2013 £000	2012 £000
Bank and other interest	-	-

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 £000	2012 £000
Current tax:		
Group relief payable	273	303
Adjustment to tax charge in respect of previous years	11	(16)
Total current tax (note 8(b))	284	287
Deferred tax:		
Origination and reversal of timing differences (note 8(c))	(110)	(154)
Adjustment to tax charge in respect of previous years	15	-
Changes in tax rates	65	28
Tax on profit on ordinary activities	254	161

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	605	747
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	141	183
Effects of:		
Expenses not deductible for tax purposes	23	32
Capital allowances in advance of depreciation	109	94
Other timing differences	1	(6)
Adjustment to tax charge in respect of previous years	10	(16)
Current tax for the year (note 8(a))	284	287

Notes to the financial statements

at 31 December 2013

8. Tax (continued)

(c) Deferred tax

The deferred tax asset is as follows:

	2013	2012
	£000	£000
Decelerated capital allowances (note 12)	429	399

Movements in the deferred tax account are as follows:

	£000
At 1 January 2013	399
Charge to profit and loss account	45
Adjustment to tax charge in respect of previous years	(15)
At 31 December 2013	429

(d) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the company's profits for this accounting period are taxed at 23.25%. The changes to the main corporation tax for the UK announced in the March 2013 budget were substantively enacted on 2 July 2013 and are therefore reflected in these financial statements. Further reductions to the main rate were announced in the March 2013 Budget Statement to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

9. Dividends

	2013	2012
	£000	£000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Interim for 2013 –140.81 (2012 – 140.81p)	2,000	2,000

Notes to the financial statements

at 31 December 2013

10. Tangible fixed assets

	Short-leasehold property £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 1 January 2013	234	7,095	7,329
Additions	-	379	379
Disposals	-	-	-
At 31 December 2013	234	7,474	7,708
Depreciation:			
At 1 January 2013	37	5,074	5,111
Charge for the year	20	489	509
Disposals	-	-	-
At 31 December 2013	57	5,563	5,620
Net book value:			
At 31 December 2013	177	1,911	2,088
At 1 January 2013	197	2,021	2,218

11. Stocks

	2013 £000	*2012 £000*
Raw materials and consumables	1,810	1,813
Work in progress	303	137
Finished goods and goods for resale	1,018	1,280
	3,131	3,230

12. Debtors

	2013 £000	*2012 £000*
Trade debtors	6,622	7,057
Amounts owed by group undertakings	186	140
Other debtors	81	23
Prepayments and accrued income	404	372
Deferred tax asset	429	399
	7,722	7,991

Notes to the financial statements

at 31 December 2013

13. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	2,885	3,166
Amounts owed to group undertakings	1,652	2,029
Other taxes and social security costs	967	875
Other creditors	21	20
Accruals	1,638	1,475
Corporation tax	274	303
	7,437	7,868

14. Issued share capital

Allotted, called up and fully paid	*2013 No.*	*2013 £000*	*2012 No.*	*2012 £000*
Ordinary shares of £1 each	1,420,320	1,420	1,420,320	1,420

15. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 January 2012	1,420	9,740	11,160
Profit for the year	–	586	586
Dividends	–	(2,000)	(2,000)
At 1 January 2013	1,420	8,326	9,746
Profit for the year	-	351	351
Dividends	-	(2,000)	(2,000)
At 31 December 2013	1,420	6,677	8,097

16. Pensions

In common with certain of its subsidiary undertakings, the company makes contributions to the Sapa Holdings Limited Pension and Life Assurance Scheme ('the scheme'), a defined benefit scheme.

The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Accordingly, the directors consider it appropriate to record accounting entries in respect of the company's contributions only but make disclosures for the entire scheme in these financial statements.

Notes to the financial statements

at 31 December 2013

16. Pension (continued)

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 April 2012 the results of which are disclosed in the financial statements of Sapa UK Limited. An update of this valuation as at 31 December 2013 indicated a total scheme deficit of £5,907,000 (2012 – deficit of £9,361,000), none of which has been recognised in the company financial statements.

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	
	2013	*2012*
	£000	*£000*
Defined benefit scheme	236	197
Defined contribution schemes	154	161
	390	358

17. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

		2013		*2012*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	-	213	–	34
In two to five years	-	269	–	389
Over five years	673	-	673	–
	673	482	673	423

18. Contingent liabilities

The company has given an unlimited guarantee over the bank indebtedness of Sapa Profiles Limited and Sapa UK Limited.

19. Related party transactions

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

Notes to the financial statements

at 31 December 2013

The smallest and largest group of which the company is a member and which prepares group financial statements including the company is that headed by Sapa AS, a company incorporated in Norway. Copies of Sapa AS's group financial statements may be obtained from Corporate Communications, Sapa AB, Box 5505, SE-114 85 Stockholm, Sweden.

Sapa AS is jointly controlled by Orkla ASA and Norsk Hydro ASA, both being companies incorporated in Norway.