Sapa UK Limited

Report and Financial Statements

31 December 2014

Directors
A P Daniels
J Tate

Secretary
S Viner

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

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Barclays Bank plc
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Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2014.

Principal activities and review of the business

The company's principal activities are those of a holding and industrial management company.

Sapa UK is the Sponsoring Employer of the Sapa Holdings Pension and Life Assurance Scheme and is responsible for the annual deficit payments noted within these financial statements of £3.5m per year.

With no trading income the company funds its activities via a combination of sale of tax losses within the Sapa group for cash, interest received from cash invested with Sapa AB and dividends from subsidiaries.

Where appropriate and necessary additional cash is drawn from deposits.

The directors will continue to monitor this strategy to ensure that the company commitments are met whilst maintaining reserves at current levels.

The directors reviewed the carrying value of the company's investment in group undertakings during the year and confirmed that none of the investments were impaired.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of credit risk and interest rate risk. The company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs. The company does not use derivative financial instruments to manage interest rate costs.

Given the size of the company, management 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.

Interest rate cash flow risk

The company's overdraft and bank borrowings are interest bearing liabilities. The directors monitor the interest cost of this debt on a regular basis.

Credit risk

The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the board.

On behalf of the Board

A P Daniels

Director

Date 25. Sept. 2015

Registered No. 1469120

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Results and dividends

The loss for the year after taxation amounted to £295,000 (2013 – profit of £15,722,000). The directors do not recommend a final dividend (2013 – £nil).

Future developments

The company intends to continue its parent undertaking role for the foreseeable future.

Going concern

The financial statements have been prepared on the going concern basis as the directors consider that the company has adequate resources for the foreseeable future in order that it can meet its liabilities as and when they fall due.

Directors

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

A P Daniels
J Tate

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 he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

On behalf of the Board

A P Daniels
Director
Date 25. Sept. 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 and loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 UK Limited

We have audited the financial statements of Sapa UK Limited for the year ended 31 December 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity and the related notes 1 to 16. 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) including Financial Reporting Standard 100 "Reduced Disclosure Framework".

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 4, 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 Strategic Report and Directors 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 the 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 2014 and of its loss 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 UK 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

Date 28 September 2015

Income statement

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Administrative expenses		(429)	(401)
Operating loss	3	(429)	(401)
Income from shares in group undertakings		80	32,035
Amounts written off investments	5	-	(15,838)
(Loss)/profit on ordinary activities before taxation and interest		(349)	15,796
Interest payable and similar charges	7	-	(1)
Interest receivable		56	-
Other finance cost - pensions	14	(179)	(340)
(Loss)/profit on ordinary activities before taxation		(472)	15,455
Tax	8	177	267
(Loss)/profit for the financial year		(295)	15,722

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2014

	2014 £'000	2013 £'000
(Loss)/profit for the year	(295)	15,722
Other comprehensive income:		
Actuarial (loss)/gain on pension scheme	(10,028)	247
Deferred tax on pension scheme	2,006	(330)
Total comprehensive (expense)/income for the year	(8,317)	15,639

Statement of financial position

at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	9	35,173	35,173
Current assets			
Debtors	10	11,449	14,319
Cash		305	404
		11,754	14,723
Creditors: amounts falling due within one year	11	(165)	(148)
Net current assets		11,589	14,575
Total assets less current liabilities		46,762	49,748
Creditors: amounts falling due after more than one year	12	(16,900)	(16,900)
Pensions	14	(10,057)	(4,726)
Net assets		19,805	28,122
Capital and reserves			
Called up share capital	13	19,137	19,137
Share premium		386	386
Retained earnings		282	8,599
Total equity		19,805	28,122

These financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:

A P Daniels

A P Daniels

Director

Date: 25. Sept. 2015

Statement of changes in equity

for the year ended 31 December 2014

	Called up Share capital £'000	*Share premium £'000*	*Retained earnings £'000*	*Total Equity £'000*
At 1 January 2013	19,137	386	(7,040)	12,483
Other comprehensive income:				
Actuarial gain on pension scheme	–	–	247	247
Deferred tax on pension scheme	–	–	(330)	(330)
Profit for the year	–	–	15,722	15,722
At 1 January 2014	19,137	386	8,599	28,122
Other comprehensive income:				
Actuarial loss on pension scheme	–	–	(10,028)	(10,028)
Deferred tax on pension scheme	–	–	2,006	2,006
Loss for the year	–	–	(295)	(295)
At 31 December 2014	19,137	386	282	19,805

Notes to the financial statements

at 31 December 2014

1. Statement of compliance with FRS 101

Sapa UK Limited is a limited company incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014.

The company has taken advantage of the following disclosure exemptions under FRS 101.

(a) The requirement of IRFS 7 Financial Instruments: Disclosures

(b) The requirement of paragraph 91-99 of IFRS 12 Fair Value Measurement

(c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: Paragraph 79 (a)(iv) of IAS 1;

(d) The requirements of paragraph 10 (d), 10 (f), 39 (c) and 134 – 136 of IAS 1 Presentation of Financial Statements

(e) The requirements of IAS 7 Statement of Cash Flows. The company is exempt from preparing a statement of cash flows as a group statement of cash flows is prepared by its parent undertaking, Sapa AS.

(f) The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting estimates and errors

(g) The requirement of paragraph 17 of IAS 24 Relates Party Disclosures

(h) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member, and

(i) The requirement of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 Impairment of Assets

Judgements and key sources of estimation uncertainty

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amount of assets and liabilities recognised at the balance sheet date:

- Pension and other post employee benefits
- Investment impairment

Group financial statements

The company has taken advantage of section 400 of the Companies Act 2006, whereby group financial statements have not been prepared. These financial statements present information about this company as an individual undertaking.

Notes to the financial statements

at 31 December 2014

2 Accounting policies (continued)

Investments

Investments in subsidiary undertakings are included on the balance sheet at historical cost, less provision for diminution in value where required.

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.

Deferred taxation

Deferred taxation is recognised in respect of all temporary differences at the balance sheet date with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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 temporary 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.

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.

Pensions

The company participates in the Sapa Holdings Limited Pension & Life Assurance Scheme, a funded defined benefit pension scheme, under which contributions are made to a separately administered trust fund. As required by FRS101, the scheme is accounted for in these financial statements in line with accounting standard IAS 19(R). The company also encourages employees to participate in a Stakeholder scheme. Contributions are charged to the profit and loss account as they become payable.

3. Operating loss

This is stated after charging:

	2014	*2013*
	£'000	*£'000*
Fees paid to auditors:		
Audit fees	17	18
	17	18

Included within administrative expenses are current service costs in relation to the pension scheme of £270,000 (2013 – £242,000).

Notes to the financial statements

at 31 December 2014

4. Directors' remuneration

The services of the directors were of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to the company paying their remuneration. Accordingly no remuneration was paid to the directors by the company, nor was any charge levied for their services (2013 – £nil).

No retirement benefits are accruing to any directors (2013 – none) under the company's defined benefit scheme.

5. Amounts written off investments

The amount written off investments of £15,838,000 in 2013 represents the write down the company's investment in Bredon Group Limited, prior to that company's dissolution on 14 January 2014.

6. Staff costs

	2014	*2013*
	£'000	*£'000*
Wages and salaries	65	52
Social security costs	7	5
Pension costs – company regular contributions	17	15
	89	72

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

	No.	*No.*
Office and administration	1	1

The employees are loaned to another group company who pay their compensation. Hence there are no profit and loss staff cost transactions to disclose (2013 – £nil).

7. Interest payable and similar charges

	2014	*2013*
	£'000	*£'000*
Group interest payable	-	1

Notes to the financial statements

at 31 December 2014

8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2014 £'000	2013 £'000
Current tax:		
Group relief receivable	(850)	(909)
Total current tax (note 8(b))	(850)	(909)
Deferred tax:		
Adjustment in respect of defined benefit pension plan	673	642
Tax on loss on ordinary activities	(177)	(267)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
	(472)	15,455
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	(101)	3,593
Effects of:		
Non-taxable income	(2,922)	(7,448)
Group relief	842	-
Expenses not allowed for tax purposes	2,004	3,682
Impact of tax rate changes	-	(94)
Tax on loss on ordinary activities (note 8(a))	(177)	(267)

(c) Factors that may affect future tax charges

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was included in the Finance Act 2013 and was substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2014

9. Investments

	Interest in group undertakings £'000	Other investments £'000	Total £'000
Cost:			
At 1 January 2014	34,829	471	35,300
At 31 December 2014	34,829	471	35,300
Provision:			
At 1 January 2014	–	(127)	(127)
At 31 December 2014	-	(127)	(127)
Net book value:			
At 31 December 2014	34,829	344	35,173
At 1 January 2014	34,829	344	35,173

Name of company	*Country of registration (or incorporation and operation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings				
Sapa Profiles Limited	England	Ordinary	100%	Aluminium profiles
Sapa Building Systems Ltd	England	Ordinary	100%	Building products (indirect)
Sapa Products Ltd (formerly Granges Products ltd)	England	Ordinary	100%	Non-trading
Other investment				
Lords Agricultural Machinery Ltd	England	Ordinary	*49%	Non-trading

* The company has no control or significant influence over this investment as the 51% is owned by the parent undertaking. The investment is held at cost, less provisions for permanent diminution in value.

Notes to the financial statements

at 31 December 2014

10. Debtors: amounts falling due within one year

	2014	2013
	£'000	£'000
Amounts owed by group undertakings	11,433	14,298
Prepayments and accrued income	2	2
Other debtors	14	19
	11,449	14,319

11. Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Accruals and provisions	165	148
	165	148

12. Creditors: amounts falling after more than one year

	2014	2013
	£'000	£'000
Amounts due to subsidiary undertakings	16,900	16,900

Amounts owed to subsidiary undertakings are unsecured and are interest free. These loans are repayable between two and five years.

13. Issued share capital

	2014		2013	
Allotted, called up and fully paid	*No.*	*£'000*	*No.*	*£'000*
Ordinary shares of £1 each	19,137,047	19,137	19,137,047	19,137

Notes to the financial statements

at 31 December 2014

14. Pensions

The company is the principal employer of the final salary defined benefit pension scheme, Sapa Holdings Limited Pension & Life Assurance scheme, under which contributions are made to a separately administered trust fund.

The pension scheme assets are held in a separate Trustee administered fund to meet long term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation.

A full actuarial valuation was carried out as at 1 April 2012 by a qualified actuary and the valuation was updated to 31 December 2014 to reflect current conditions. Full actual valuations are carried out every three years.

The updated valuation showed the market value of the scheme assets amounted to £86,221,000 (2013 – £75,985,000) and the actuarial value was sufficient to cover 87% (2013 – 93%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2014 a deficit of £12,571,000 (2013 – deficit of £5,907,000) has been recognised in respect of the defined benefit pension plan.

The assets and liabilities of the scheme at 31 December are:

	2014	*2013*
	£'000	*£'000*
Scheme assets at fair value		
UK equities	5,749	5,045
Overseas equities	18,202	12,910
Emerging market equities	5,395	3,329
Corporate bonds	28,841	23,742
Index linked gilts	14,673	11,371
Diversified growth funds	11,173	17,560
Trustees bank balance	1,377	1,301
Value of insured annuities	811	727
Fair value of scheme assets	86,221	75,985
Present value of scheme liabilities	(98,792)	(81,892)
Defined benefit pension plan deficit	(12,571)	(5,907)
Related deferred tax asset	2,514	1,181
Net defined benefit pension plan deficit	(10,057)	(4,726)

The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

Notes to the financial statements

at 31 December 2014

14. Pensions (continued)

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2014	*2013*
	£'000	*£'000*
Recognised in the income statement		
Current service cost	270	242
Administration expenses	21	22
Recognised in arriving at operating loss	291	264
Net interest on defined benefit deficit	179	340
Taken to the statement of comprehensive income		
Return on plan assets (excluding amounts included in net interest expense)	5,253	1,114
Actuarial losses arising from changes in financial assumptions	(15,281)	(867)
(Loss)/gain recognised in the statement of comprehensive income	(10,028)	247

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2014	*2013*
	£'000	*£'000*
As at 1 January	81,892	79,418
Current service cost	270	264
Interest cost	3,634	3,537
Contributions by scheme participants	44	43
Actuarial losses arising from changes in financial assumptions	15,281	867
Benefits paid	(2,335)	(2,215)
Administration expenses paid	6	(22)
Defined benefit obligation at 31 December	98,792	81,892

Notes to the financial statements

at 31 December 2014

14. Pensions (continued)

Changes in the fair value of plan assets are analysed as follow:

	2014	*2013*
	£'000	*£'000*
As at 1 January	75,985	70,057
Interest income on plan assets	3,455	3,197
Return on scheme assets excluding interest income	5,253	1,114
Contributions by employer	3,840	3,811
Contributions by employee	44	43
Benefits paid	(2,335)	(2,215)
Administration expenses paid	(21)	(22)
Fair value of plan assets at 31 December	86,221	75,985

Pension contributions are determined with the advice of independent qualified actuaries, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates.

	2014	*2013*
	%	*%*
Main assumptions:		
RPI inflation	3.30	3.40
Discount rate	3.50	4.50
Future salary increases	3.80	3.90
Statutory revaluation (CPI inflation)	2.10	2.20
Future pension increases (RPI min 3% p.a., max 5% p.a.)	3.70	3.75
Future pension increases (RPI max 5% p.a.)	3.15	3.25
Mortality before and after retirement – base table		
Mortality before and after retirement – future improvements	Year of birth projections with medium cohort improvement from 2000 and a minimum 1.5% p.a.underpin	

The most recently completed actuarial valuation of the company's main retirement benefits scheme was carried out as at April 2012. As a result of that valuation in April 2013 employer contributions were raised from 22.1% to 33.8% with employee contributions remaining at 5%

The Company has agreed with the trustees it will aim to eliminate the deficit over the next 7 years. The Company will monitor funding levels on an annual basis. The next valuation is due to be completed as at 5th April 2015. The Company considers that the contribution rates agreed with trustees at the last valuation date are sufficient to eliminate the deficit in the UK scheme over the agreed period.

Management has agreed with the scheme trustees a recovery plan which will make good the scheme deficit by 31 March 2020. In connection with this recovery plan a contribution of £3,543,000 (2013 – £3,543,000) was made to the scheme.

The company made regular contributions to the scheme during the year of £17,327 (2013 – £15,520).

Notes to the financial statements

at 31 December 2014

15. Contingent liabilities

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

Due to the nature of this contingent liability, it is not practicable to make an estimate of its financial effect or likelihood.

16. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Sapa AB, which is registered in Sweden.

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 Sweden. 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.