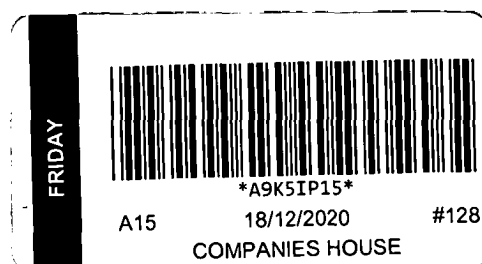


Registered Number: 01029071

# Hydro Building Systems UK Limited

## Annual Report and Financial Statements

31 December 2019



## **Corporate Information**

### **Directors**

S Helsen  
S Viner  
H Gomez

### **Secretary**

S Viner

### **Auditors**

KPMG LLP  
Queen Square  
Bristol  
BS1 4BE

### **Bankers**

ING Belgium  
Avenue Marnix 24 1000  
Bruxelles  
Belgium

J.P. Morgan  
1<sup>st</sup> Floor  
Hampshire Building  
1 Chaseside  
Bournemouth  
BH7 7DA

### **Registered Office**

5300 Severn Drive  
Tewkesbury  
Gloucestershire  
GL20 8SF

## Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2019.

### Review of the business and outlook

Hydro Building Systems UK Limited is a leader in the UK fenestration industry, offering architects, specifiers, developers, fabricators, installers and householders a wide range of innovative aluminium system solutions.

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

	2019 £000	2018 £000	Change %
Turnover	52,501	54,934	-4.4%
Loss after tax	(2,738)	(856)	-219.8%
Shareholder's funds	20,781	26,237	-20.8%

Turnover has decreased by £2,433,000 during the year in line with market decline. Ongoing focus continues in both the residential and commercial sectors. Shareholders' funds have decreased in line with the business growth. The loss for the year after taxation amounted to £2,738,000 (2018: loss £856,000).

As a result of the reduction in turnover and the impact this has had on profitability, the company undertook a restructuring programme during 2019. The programme was based on lower turnover in 2019 and the potential for this to continue into 2020. As a result of these changes the company is well positioned to deal with the impact of the COVID-19 pandemic in 2020. One of the key movements in the balance sheet has been the effect of IFRS16 this year and the capitalising of the leases. The majority of which is made up from the lease of the building at the Tewkesbury site at Severn Drive. The other was the increase to the pension scheme annuity. The Scheme bought an insurance policy to cover the future pension payments for the majority of its current pensioner members. Having undertaken a full BPA market review process the Trustees agreed to proceed with Pension Insurance Corporation (PIC).

The outlook for 2020/21 is challenging as economic uncertainty persists as a result of the ongoing uncertainty around Brexit and the COVID-19 pandemic.

The UK formally left the EU on 31 January 2020 and entered a transition period which is scheduled to end on 31 December 2020. We are well advanced in our Brexit preparations and are confident that all the necessary arrangements we need to make will be in place by 31 December 2020 if no new trade deal is agreed. Progress in the Brexit negotiations will continue to be monitored and the associated risks and uncertainties will be managed with reference to the risk management and control processes of the business.

### Significant events during the year

On March 19, 2019, Hydro was hit by an extensive cyber-attack. The attack affected our entire global organization, causing production challenges within the different business areas. All PCs and servers across the company were reviewed, cleaned for any malware and safely restored, according to strict guidelines to ensure security and safety. Encrypted PCs and servers were rebuilt based on back-ups. Hydro has reorganized its security team to better detect and respond to cyber incidents, and is in dialogue with relevant Norwegian and international authorities. Hydro has a robust cyber insurance in place with recognized insurers.

In June 2019 the company undertook a restructuring programme, which resulted in the relocation of the company's operations in Wakefield to smaller premises which are more suited to the nature of the ongoing business. The company also closed its KIT production line in Tewkesbury and took the decision to utilise the Hydro group's centralised finance function for transactional activities. As a result of these actions, 75 employees left the business during the period from June to December 2019. The costs associated with the employee redundancy are shown within note 6. The dilapidation costs for the Wakefield facility were not

## Strategic Report (continued)

material and have therefore been included within administration costs. The company completed the transfer of stock from Wakefield to Tewkesbury in November 2019 and the final employees left in December 2019. The lease in Wakefield was handed back to the landlord in February 2020.

### Principal risks and uncertainties

The directors continually review and evaluate the risks that the company is facing. 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 along with competitive risk and legislation risk.

The full business implications of Brexit remain uncertain, which will be the case for some time, and any risks arising will be a key focus area for management in the next financial year. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by management and mitigation put in place where possible.

### COVID 19

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors have considered the potential impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The market, whilst uncertain, is still generating business and at a significant level for Hydro Building Systems to operate within. The Directors have reviewed the ongoing cash requirement of the business, taking into account any immediate and short-term impacts identified, and with the ongoing support from the immediate parent, and the ultimate parent company they have concluded that adequate resources and funding are available to Hydro Building Systems UK Limited should the business require these funds. The Directors have concluded that the going concern basis of accounting remains appropriate.

However, the Directors recognise the rapidly evolving nature of the pandemic and continue to monitor the situation as it develops.

### Climate change and environmental risks

Hydro is exposed to physical climate-related risks, risks related to the transition to a low-carbon economy and other environmental risks. Climate-driven changes in consumer behaviour, such as substitution of aluminium by other materials is also a risk to Hydro.

Hydro is constantly improving and obtaining new ISO to complement our already achieved 9001, 14001 and 18001, along with the Investors in People award.

Increased concern over climate change may lead to changes in consumer behaviour, increased demand for low-emission products or substitution of aluminium by other materials. In order to reduce the risks for our operations and potential consequences related to climate change, Hydro performs extensive risk assessments of both physical and transition risks. Based on this, we have developed a new climate strategy towards 2030, focusing on greener sourcing, greener production and greener products.

A similar approach is also taken for identifying other environmental risks related to our operations, through Environmental Impact Assessments and continuous review of monitoring procedures, control systems and the application of appropriate management procedures.

Hydro continues to strengthen its recycling position and has expanded the production capacity of the CIRCAL greener product brand.

## Strategic Report (continued)

Hydro's new certified low-carbon product brands CIRCAL and REDUXA were launched in 2019, setting a new standard for low-carbon and recycled aluminium, to commercialize the company's sustainability position. The initial customer feedback and subsequent orders have underlined the potential for these types of products that represent exciting opportunities moving forward.

The inherent properties of aluminium make recycling attractive. It can be recycled infinitely without degradation in quality, and recycling requires 95% less energy than primary aluminium production. We re-melt process scrap from our own production.

### *Exposure to price, credit, liquidity and cashflow risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made and monitoring of current customers. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed periodically.

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.

Aluminium pricing in the global market is the principal continuing risk for the company. Sales to customers outside the UK are made in Euro and conversion to Sterling is made in the month of transaction with a further exchange gain/loss upon transfer of monies to the UK. The sourcing of certain items is from European suppliers, and these items are purchased in Euro.

### *Competitive risks*

The company is exposed to commodity price risk and exchange rate fluctuations. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by Norsk Hydro ASA, our parent undertaking.

### *Legislative risks*

The company is exposed to several legislative risks. The company complies with the Health & Safety at Work Act 1974 to cover the health and safety of all employees, Regulatory Reform (Fire Safety) Order 2005, Environment Act 1995, The Waste (England and Wales) Regulations along with all subsequent amendments. There are further acts that the company complies with in relation to the operation within the UK.

## **Code of Conduct**

Hydro's Code of Conduct requires adherence with laws and regulations as well as internal directives and procedures. It is systematically implemented and followed up through our compliance system. The compliance system is based on four pillars; prevention, detection, reporting and responding. In addition to financial compliance, priority areas are health, safety and environment (HSE), anti-corruption, competition law and data privacy.

## **Political contributions**

In line with our Code of Conduct, Hydro does not make financial contributions to political parties.

## Strategic Report (continued)

### Corporate responsibility

As part of a global aluminium company, ensuring responsible conduct in relation to society at large is important throughout Hydro's activities. We consider our impact on society, from construction to divestment and closure activity, as well as the exposure to corruption and human rights violations, both within our own operations, the communities we are part of, and in the supply chain.

Our compliance system ensures that all persons acting on behalf of Hydro comply with applicable laws and regulations and with the requirements adopted by Hydro.

Hydro's Code of Conduct creates the foundation that supports our efforts to do the right things and to always act with integrity throughout our global organization, wherever we operate and conduct business on behalf of Hydro.

We are committed to building a culture of trust where employees are comfortable to ask questions, seek guidance, raise concerns, and report suspected violations.

Employees can also use Hydro's whistle-blower channel, AlertLine, where concerns can be reported anonymously. All employees and on-site contractors can use AlertLine.

### Section 172 Statement

In line with the Companies Act requirement for periods commencing on or after 1 January 2019, the Directors set out below their key considerations and steps taken with regard to the "enlightened shareholder value" requirements of s172 in performing their duties.

The Directors feel that they have acted in good faith and in a manner that would be most likely to promote the success of the company for the benefit of its stakeholders.

In particular the delivery of our approved 5-year plan (2020-2024) will deliver a long-term beneficial impact to the company and the specific stakeholders as follows:

- To our employees – we aim to be a responsible employer in providing ongoing training and development opportunities which support the business needs as well offering a complete remuneration package. We will further develop our safety systems to maintain a safe working environment.
- To our customers – we aim to build on our existing relationships to offer greener products in higher volumes through ongoing collaborations, quality improvements and process efficiencies.
- To our suppliers – we aim to ensure you receive prompt payment for your invoices, foster good working relationships and work together on areas of mutual interest.
- To our local community and the environment – we aim to further increase our volume of Circal, a product containing a minimum of 75% recycled aluminium and having a reduced Carbon footprint.
- Acting fairly between members of the Company – The Hydro values which underpin the day-to-day working environment in which the company operates, include "Care", "Collaboration" and "Courage". There is an expectation that all employees, at all levels in the Group, "live" these values.

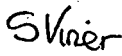
By delivering on these aims the directors believe they will contribute to enhancing the Norsk Hydro's Groups Global reputation in a positive way and deliver an improved financial return to our shareholders. Being 100% owned subsidiary of the Norsk Hydro Group, the decisions the directors make will have due regard to the needs of the Group as well as the Company. At all times the Directors will strive to make informed decisions, in a responsible way with due regard to the various stakeholder interests in a fair and reasonable way.

## Strategic Report (continued)

### 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, ongoing investment in new equipment and technology to reduce costs, continued investment in our workforce through training and job development and new strategic initiatives.

This report was approved by the board on 17<sup>th</sup> December 2020 and signed on its behalf by:



S. Viner  
Secretary

Date 17<sup>th</sup> December 2020

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

### Directors

The current directors are shown on page 1. The directors who served the company during the year and to the date of this report were as follows:

S Helsen  
S Viner  
H Gomez

### Results and dividends

The loss for the year after taxation amounted to £2,738,000 (2018 – Loss £856,000). The directors do not recommend a final dividend (2018 – £nil).

### Research and development

The company continues to invest in research and development and thereby launch and update new systems which are evidence of the company's commitment to maintaining its position as a key innovator in the industry. A large R&D team is also situated within various other Hydro Building Systems entities worldwide.

### Future developments

The continuing investment and launch of new advanced products for the commercial and residential sectors continues to underpin sales. Consequently, the directors believe that the future developments of the business remain strong with increased brand support.

The COVID-19 Pandemic remains an ongoing issue after the balance sheet date, and further details are included within the directors' report and the going concern disclosures.

### 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.

The Company has considerable financial resources together with contracts with a number of customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 reports and financial statements.

### Disabled employees

It is the company's aim to ensure that when considering recruitment, training or career development within the business, no employee or job applicant is discriminated against, either directly or indirectly, on the grounds of a disability. Should an employee become disabled during their employment with the company the company will try to offer continuity of employment and to provide career and training opportunities commensurate with their abilities. We are continuously adjusting working conditions so that all employees or potential new employees have the same opportunities in their workplace.

### Equal Opportunities

The Hydro Code of Conduct, addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our defined programs contribute to compliance with anti-corruption and basic human rights.



## Directors' report (continued)

### Employee involvement & internal communication

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 monthly Town Hall meetings with all employees, which provide a two-way communication flow and result in greater understanding for all employees regarding the aims and goals of the company. Regular staff appraisals are performed and the company retains its 'Investors in People' award.

During the current COVID-19 situation these communication methods have been adapted, using online video platforms, so that all employees working from home still have access to company communications and can ask questions, which helps to ensure that all employees remain fully engaged.

### Matters covered in the company strategic report

The Directors have chosen to disclose information on the company's principal activity, review of business, future developments of the business and principal risks and uncertainties, required by the Companies Act 2006 to be included within the Directors' Report, within the Strategic Report.

### 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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 17<sup>th</sup> December 2020 and was signed on its behalf by



S. Viner  
Secretary

Date 17<sup>th</sup> December 2020

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

---

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO BUILDING SYSTEMS UK LIMITED

### Opinion

We have audited the financial statements of Hydro Building Systems UK Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

---

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO BUILDING SYSTEMS UK LIMITED (continued)

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

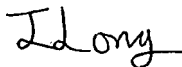
### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.



Joseph Long (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

18<sup>th</sup> December 2020

## Income Statement

for the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> £000	<i>2018</i> £000
<b>Turnover</b>	3	52,501	54,934
Cost of sales		<u>(32,834)</u>	<u>(33,172)</u>
<b>Gross profit</b>		19,667	21,762
Distribution costs		(5,234)	(5,021)
Administration Expenses		<u>(17,937)</u>	<u>(18,084)</u>
<b>Operating (Loss)</b>	4	(3,504)	(1,344)
Interest receivable	7	23	21
Interest payable	8	(106)	(8)
Other finance income – pensions	18	321	266
<b>(Loss) before taxation</b>		<u>(3,266)</u>	<u>(1,065)</u>
Tax on loss	9	528	209
<b>(Loss) for the financial year</b>		<u>(2,738)</u>	<u>(856)</u>

All amounts relate to continuing activities.

The notes on pages 15-32 form part of the financial statements.

## Statement of comprehensive income

for the year ended 31 December 2019

		<i>2019</i> £'000	<i>2018</i> £'000
(Loss) for the year		(2,738)	(856)
Other comprehensive income that will not be reclassified to the income statement:			
Remeasurement on defined benefit scheme (loss)/gain	18	(3,355)	2,246
Deferred tax on remeasurement of defined benefit scheme asset	9	637	(427)
Total other comprehensive (loss)/profit for the year		<u>(2,718)</u>	<u>1,819</u>
Total comprehensive (expense)/ income for the year		<u>(5,456)</u>	<u>(963)</u>

## Statement of changes in equity

for the year ended 31 December 2019

	<i>Called up Share Capital £'000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £'000</i>
<i>At 1 January 2018</i>	1,420	23,854	25,274
(Loss) for year	-	(856)	(856)
Other comprehensive profit for the year	-	1,819	1,819
<i>At 1 January 2019</i>	1,420	24,817	26,237
Loss for the year	-	(2,738)	(2,738)
Other comprehensive (loss) for the year	-	(2,718)	(2,718)
<b>At 31 December 2019</b>	<b>1,420</b>	<b>19,361</b>	<b>20,781</b>

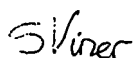
## Statement of Financial Position

at 31 December 2019

	<i>Notes</i>	<i>2019</i> £000	<i>2018(Restated*)</i> £000
<b>Fixed assets</b>			
Intangible assets	10	26	115
Tangible assets	11	2,379	2,271
Right of Use assets	12	4,239	-
		<u>6,644</u>	<u>2,386</u>
<b>Current assets</b>			
Defined benefit pension plan surplus	18	8,393	11,484
Stocks	13	4,607	6,245
Debtors	14	15,233	17,423
		<u>28,233</u>	<u>35,152</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(10,161)</u>	<u>(9,581)</u>
<b>Net current assets</b>		<u>18,072</u>	<u>25,571</u>
<b>Total assets less current liabilities</b>		<u>24,716</u>	<u>27,957</u>
Financial liabilities – non-current	19	(2,790)	-
Provisions for liabilities	16	(1,145)	(1,720)
<b>Net assets</b>		<u>20,781</u>	<u>26,237</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,420	1,420
Retained earnings		<u>19,361</u>	<u>24,817</u>
<b>Total Equity</b>		<u>20,781</u>	<u>26,237</u>

\* Refer to note 22

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



S Viner

Director

Date 17<sup>th</sup> December 2020

## Notes to the financial statements

at 31 December 2019

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hydro Building Systems UK Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 17<sup>th</sup> December 2020 and the statement of financial position was signed on the board's behalf by S Viner.

Hydro Building Systems UK Limited is a private company limited by shares incorporated and domiciled in England and Wales. The address of the registered office is 5300 Severn Drive, Tewkesbury, Gloucestershire, GL20 8SF. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

The company's financial statements are presented in sterling, which is also the company's functional currency, and all values rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary whose results are included in the consolidated accounts of Norsk Hydro ASA, a company incorporated in Norway. Therefore, the accounts present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework (FRS 101)*. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements are prepared under the historical cost convention.

### 2. Accounting policies

#### Going concern

The Company had net current assets of £18,072,000 as at 31 December 2019 and a loss for the year of £2,738,000. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons noted below.

The Directors have prepared cash flow forecasts through to 31 December 2021 which indicate that in the base case scenario, the company will have a growing cash balance. In a severe but plausible scenario, taking account of the anticipated short-term impact of COVID-19 on the operations and its financial resources, including assuming a similar performance to that achieved in 2020, the company will still have sufficient funds to meet its liabilities as they fall due for due for at least 12 months from the date of approval of the financial statements.

The Company is a subsidiary of Hydro Norsk ASA ("the Group"). The company has no internal or external debt. The company is part of the Group's cash pooling arrangement, administered by the Group's corporate finance department. At the end of each day, any cash held by the company is transferred to the Group and if the company is in an overdraft position it receives money from the group, so that the balance in the company's bank account at the end of each day is nil and they have a receivable or payable from the Group. At 31<sup>st</sup> December 2019 the company had a debtor balance due from the Group in excess of £2.4 million and remains in a debtor position at the time of signing these financial statements. Whilst the cash generated by the company is held by Group and shown as an intercompany debtor in the balance sheet, the Group has indicated that they will give the company unrestricted access to these funds as required. The Directors have assessed the viability of the Group and are satisfied in Group's ability to continue operations even in severe but plausible downside scenarios. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.



## Notes to the financial statements

at 31 December 2019

### 2. Accounting policies (continued)

#### *2.1 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 2019.

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

- (a) The requirement of IFRS 7 Financial Instruments: Disclosures
- (b) The requirement of paragraph 91-99 of IFRS 13 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 cash flow statement as a group cash flow statement is prepared by its parent company, 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 Related 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
- (j) The requirement of IFRS 15 Revenue from Contracts with Customers of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15.

#### *2.2 Judgments and key sources of estimation uncertainty*

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position 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 statement of financial position date:

#### **Pension and other post-employment benefits**

The defined benefit pension plan obligation and the associated insured annuity asset are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The company engages suitably qualified actuaries to complete this valuation.

## Notes to the financial statements

at 31 December 2019

### 2. Accounting policies (continued)

#### 2.3 Significant accounting policies

##### a) Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding trade discounts, rebates, value added tax and other sales taxes.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires us to, for each contract with a customer, identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent the contract covers more than one performance obligation, determine whether revenue should be recognized over time or at a point in time, and, finally, recognize revenue when or as performance obligations are satisfied.

##### b) Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Under IAS 17, the Company had leases which were classified as finance leases as the Company had assumed substantially all the risks and rewards of ownership of the leased asset. Where land and buildings were held under leases the accounting treatment of the land was considered separately from that of the buildings. Prior to 1 January 2019, these leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The accounting treatment for these leases subsequent to transition to IFRS 16, and for leases entered into after 1 January 2019 are described below in accounting policy 2.3.c.

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%
Right of Use assets	–	over the life of the lease

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

##### c) Leases

The Company has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

##### As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability

## Notes to the financial statements

at 31 December 2019

### 2 Accounting policies (continued)

adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *d) Intangible assets*

Intangible assets include Licences and IT Systems. Intangible assets are amortised over a period of three to five years which is accounted for using the cost model.

#### *e) 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.

## Notes to the financial statements

at 31 December 2019

### 2 Accounting policies (continued)

#### *f) Income taxes*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- (i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (ii) Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

#### *g) Foreign currencies*

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### *h) Research and development*

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### *i) Provisions for liabilities*

Provisions are recognised when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefit that can be reasonably estimated.

#### *j) Pensions*

##### *(i) Defined benefit pension scheme*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period

## Notes to the financial statements

at 31 December 2019

### 2 Accounting policies (continued)

#### *(l) Defined benefit pension scheme (continued)*

by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

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 required by FRS101 the scheme is accounted for in these financial statements in line with IAS 19 'Employee Benefits'.

The liability/asset recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Statement of financial position date less the fair value of plan assets at the Statement of financial position date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent qualified actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the income statement employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as a 'finance cost'.

#### *(ii) Defined contribution pension scheme*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The contributions for contributions to defined contribution plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### *(k) IFRS 9 Financial Instruments*

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Predominately for Hydro Building Systems UK Ltd the main financial asset that this accounting standard applies to is trade debtors. This is therefore measured at amortised cost based on the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the financial statements

at 31 December 2019

### 3. Turnover

Turnover is attributable to one continuing activity: the marketing and manufacture of aluminium systems for the home improvement and commercial markets.

An analysis of turnover by geographical market is given below:

	2019 £000	2018 £000
United Kingdom	49,621	51,225
Europe	2,415	3,474
Rest of World	15	235
	<u>52,051</u>	<u>54,934</u>

### 4. Operating (loss) / profit

This is stated after charging/(crediting):

	2019 £000	2018 £000
Auditors' remuneration – audit services	31	31
Depreciation of intangible, tangible fixed and right of use assets	2,223	713
Research and development	565	742
Operating lease rentals, less than 1 year: – plant and machinery	242	395
(2018: operating leases rentals) –land and buildings	134	1,079
Foreign exchange (Gain)	(54)	(62)

### 5. Directors' remuneration

	2019 £000	2018 £000
Remuneration	324	638
Company contributions paid to defined contribution pension schemes	13	28
Pension contributions to the defined benefit pension scheme	12	74
	<u>349</u>	<u>740</u>
<i>In respect of the highest paid director:</i>		
Remuneration	112	144
Pension contributions to the defined contribution pension scheme	9	46
	<u>121</u>	<u>190</u>
Defined benefit scheme – accrued pension at year end	-	47

Retirement benefits were accruing to 1 director under the company's defined benefit scheme during 2019 (2018 – 1).

The remuneration of S Helsen, and H Gomez was paid for by Norsk Hydro ASA. Their services to Hydro Building Systems UK Limited are of a non-executive nature and their remuneration was deemed to be wholly attributable to their services to Norsk Hydro ASA. Accordingly, the above details include no remuneration in respect of the aforementioned director

## Notes to the financial statements

at 31 December 2019

### 6. Staff costs

	2019	2018
	£000	£000
Wages and salaries	7,193	7,969
Social security costs	760	844
Other pension costs	624	635
Severance and other costs from restructuring activities	1,436	-
	<u>10,013</u>	<u>9,448</u>

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

	2019	2018
	No.	No.
Production	85	86
Office and administration	112	132
	<u>197</u>	<u>218</u>

### 7. Interest Receivable

	2019	2018
	£000	£000
Bank interest	23	21
	<u>23</u>	<u>21</u>

### 8. Interest Payable

	2019	2018
	£000	£000
Bank interest	1	8
Interest on lease liabilities	105	-
	<u>106</u>	<u>8</u>

### 9. Tax

(a) Tax charged in the income statement

	2019	2018
	£000	£000
<b>Current tax:</b>		
Corporation Tax	(635)	12
Adjustment to tax charge in respect of previous years	-	(56)
Total current tax	<u>(635)</u>	<u>(44)</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(70)	(328)
Adjustment to tax charge in respect of previous years	177	163
Total deferred tax charge/(credit)	<u>107</u>	<u>(165)</u>
<b>Tax (credit) in the income statement</b>	<u>(528)</u>	<u>(209)</u>

## Notes to the financial statements

at 31 December 2019

### 9. Tax (continued)

#### (b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%). The differences are reconciled below:

	2019 £000	2018 £000
(Loss) on ordinary activities before tax	(3,266)	(1,065)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0 % (2018 – 19.0%)	(621)	(202)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(1)	50
Deferred tax rate changes	61	(31)
Movement in un-provided deferred tax	(15)	(56)
Adjustment to tax charge in respect of previous years	48	30
<b>Total tax (credit) reported in the income statement</b>	<b>(528)</b>	<b>(209)</b>

#### (c) Deferred tax

The deferred tax (liability) is as follows:

	2019 £000	2018 £000
Accelerated capital allowances	267	266
Short term timing differences	(1,386)	(1,916)
	<b>(1,119)</b>	<b>(1,650)</b>

Movements in the deferred tax account are as follows:

	2019 £000	2018 £000
At 1 January	(1,650)	(1,387)
Charged to income statement in the current year	70	328
Adjustment to tax charge in respect of previous years	(177)	(164)
Deferred tax on pension scheme (debited)/credited to other comprehensive income	637	(427)
At 31 December 2019	<b>(1,120)</b>	<b>(1,650)</b>

From 1 April 2019, the corporation tax rate was 19%. Further reductions in the UK corporation tax rate to 17% from 1 April 2020 were substantively enacted on 26 October 2015 and consequently deferred tax has been recognised at a rate of 17% (2018 - 17%). On 11 March 2020, the government announced that the UK corporation tax rate will remain at 19% (effective from 1 April 2020).

The deferred tax liability at 31 December 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.



## Notes to the financial statements

at 31 December 2019

### 10. Intangible assets

	<i>Software Costs</i>	<i>Total</i>
	<i>£'000</i>	<i>£000</i>
Cost:		
At 1 January 2019	583	583
Disposals	(198)	(198)
At 31 December 2019	<u>385</u>	<u>385</u>
Depreciation:		
At 1 January 2019	468	468
Disposals	(198)	(198)
Charge for the year	89	89
At 31 December 2019	<u>359</u>	<u>359</u>
Net book value:		
At 31 December 2019	<u>26</u>	<u>26</u>
At 1 January 2019	<u>115</u>	<u>115</u>

### 11. Tangible fixed assets

	<i>Short-leasehold property</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2019	922	6,348	7,270
Disposals	(668)	(1,465)	(2,133)
Additions	11	1,120	1,131
At 31 December 2019	<u>265</u>	<u>6,003</u>	<u>6,268</u>
Depreciation:			
At 1 January 2019	772	4,227	4,999
Disposals	(643)	(1,146)	(1,789)
Charge for the year	65	614	679
At 31 December 2019	<u>194</u>	<u>3,695</u>	<u>3,889</u>
Net book value:			
At 31 December 2019	<u>71</u>	<u>2,308</u>	<u>2,379</u>
At 1 January 2019	<u>150</u>	<u>2,121</u>	<u>2,271</u>

## Notes to the financial statements

at 31 December 2019

### 12. Right of Use assets

	<i>Land &amp; Buildings £000</i>	<i>Machinery &amp; Equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2019 (note 20)	4,499	979	258	5,736
Disposals	(1,270)	-	(9)	(1,279)
Additions	760	-	210	970
At 31 December 2019	<u>3,989</u>	<u>979</u>	<u>459</u>	<u>5,427</u>
Depreciation:				
At 1 January 2019	-	-	-	-
Disposals	(265)	-	(2)	(267)
Charge for the year	1,091	231	133	1,455
At 31 December 2019	<u>826</u>	<u>231</u>	<u>131</u>	<u>1,188</u>
Net book value:				
At 31 December 2019	<u>3,163</u>	<u>748</u>	<u>328</u>	<u>4,239</u>
At 1 January 2019	<u>4,499</u>	<u>979</u>	<u>258</u>	<u>5,736</u>

### 13. Stocks

	<i>2019 £000</i>	<i>2018 £000</i>
Work in progress	219	232
Finished goods and goods for resale	4,288	5,870
Tooling Inventory	100	143
	<u>4,607</u>	<u>6,245</u>

In the director's opinion, there were no significant differences between replacement cost and the amount at which stocks were stated in the financial statements. During the year the amount of stock recognised as an expense in the income statement was £30,289,481 (2018: £31,396,564).

### 14. Debtors

	<i>2019 £000</i>	<i>2018 (Restated*) £000</i>
Trade debtors	11,735	10,712
Amounts owed by group undertakings	2,646	6,185
Prepayments and accrued income	200	526
Corporation Tax	652	-
	<u>15,233</u>	<u>17,423</u>

\* Refer to note 22

## Notes to the financial statements

at 31 December 2019

### 15. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	4,157	3,925
Lease Liabilities	1,250	-
Amounts owed to fellow subsidiaries	3,180	3,474
Amounts owed to parent	118	230
Other taxes and social security costs	1,011	864
Other creditors	1	1
Corporation tax	-	12
Accruals	444	1,075
	<u>10,161</u>	<u>9,581</u>

### 16. Provision for liabilities

	<i>Dilapidations</i> £000	<i>Total</i> £000
At 1 January 2019	70	70
Utilised in the year	(44)	(44)
	<u>26</u>	<u>26</u>
Deferred tax liability (see note 9c)		1,119
		<u>1,145</u>

#### Dilapidations

A dilapidations provision is held for leasehold properties which require remediation work to be performed to return the property to its original state. The remaining value was consumed in 2020 following the closure of the site.

### 17. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	2019	<i>No.</i>	2018
		£000		£000
Ordinary shares of £1 each	1,420,320	<u>1,420</u>	1,420,320	<u>1,420</u>

### 18. Pensions

On 1 January 2016 Hydro Building Systems UK Limited became 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, and the auto enrolment compliant scheme, a defined contribution scheme. The Sapa Holdings Limited Pension & Life Assurance Scheme was closed to new members on 1 July 1997.

The contributions paid into the defined benefit scheme during the year were as follows:

	2019 £000	2018 £000
Defined Benefit Scheme – Contributions	239	290

## Notes to the financial statements

at 31 December 2019

### 18. Pensions (continued)

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 6 April 2018 by a qualified actuary. Full actual valuations are carried out every three years.

The updated valuation showed the market value of the scheme assets amounted to £94,490,000 (2015 - £92,190,000) and the actuarial value was sufficient to cover 113% (2015- 92%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2019 a surplus of £8,393,000 (2018 – £11,484,000) has been recognised in respect of the defined benefit pension plan.

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

	2019	2018
	£'000	£'000
Scheme assets at fair value		
UK equities	4,521	7,784
Overseas equities	12,611	23,920
Emerging market equities	7,317	7,843
Corporate bonds	1,078	33,271
Index linked gilts	14,532	17,581
Trustees bank balance	1,326	116
Multi-asset credit	9,053	-
Value of insured annuities	43,561	565
Fair value of scheme assets	93,999	91,080
Present value of scheme liabilities	(85,606)	(79,596)
<b>Defined benefit pension plan surplus</b>	<b>8,393</b>	<b>11,484</b>

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.

The Scheme also completed the final stages of the Flexible Retirement Offer (FRO) exercise that started in 2017. The offer window closed 31<sup>st</sup> December 2017. All transfers which had been formally approved by the Company prior to 31<sup>st</sup> December 2017 had been accounted for in the 2017 valuation. Those valuations which were not approved by 31<sup>st</sup> December 2017 were carried over into 2018 and are included in the valuation. Under the exercise members were given the opportunity to transfer their benefits out of the Scheme. The difference between the liability removed from the Scheme and the enhanced transfer value has been accounted for as a settlement in the valuation.

The Scheme also undertook a Pension Increase Exchange Exercise (PIE) during 2017. Under this exercise the members were given the option to exchange some of their increasing pension for a higher non-increasing pension. The offer window closed in December 2017 with the higher pension due to be put into payment in February 2018. The difference in accounting reserve for members before and after the offer has been allowed for as a past service credit in the valuation.

## Notes to the financial statements

at 31 December 2019

### 18. Pensions (continued)

The movements in the schemes assets and liabilities recognised in the statement of financial position were:

	2019	2018
	£'000	£'000
Net asset at 1 January	11,484	10,668
Employer contributions received	239	290
Expense recognised in the income statement	25	(1,720)
Re-measurement (loss)/gain in OCI	(3,355)	2,246
Net asset at 31 December	<u>8,393</u>	<u>11,484</u>

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

	2019	2018
	£'000	£'000
<i>Recognised in the income statement</i>		
Current service cost	296	338
Past service cost	-	1,300
Settlement losses	-	348
Net interest on defined benefit surplus	(321)	(266)
Total (income)/expense recognised in the statement of comprehensive income	<u>(25)</u>	<u>1,720</u>
<i>Taken to the statement of comprehensive income</i>		
Return on plan assets (excluding amounts included in net interest expense)	4,305	(6,983)
Actuarial (loss)/gain arising from changes in financial assumptions	(8,457)	4,610
Actuarial gain arising from changes in demographic assumptions	640	2,025
Actuarial gain arising from changes from scheme experience	157	2,594
(Loss)/Gain recognised in the statement of comprehensive income	<u>(3,355)</u>	<u>2,246</u>

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

	2019	2018
	£'000	£'000
As at 1 January	79,596	91,612
Current service cost	296	338
Past service cost	-	1,300
Settlements	-	(3,236)
Interest cost	2,154	2,211
Contributions by scheme participants	29	37
Actuarial loss/(gain) arising from changes in financial assumptions	8,457	(4,610)
Actuarial (loss) arising from changes in demographic assumptions	(640)	(2,025)
Actuarial (loss) arising from changes from scheme experience	(157)	(2,594)
Benefits paid	(4,129)	(3,437)
<b>Defined benefit obligation at 31 December</b>	<u>85,606</u>	<u>79,596</u>

## Notes to the financial statements

at 31 December 2019

### 18. Pensions (continued)

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

	2019	2018
	£'000	£'000
As at 1 January	91,080	102,280
Interest income on plan assets	2,475	2,477
Return on scheme assets excluding interest income	4,305	(6,983)
Contributions by employer	239	290
Contributions by employee	29	37
Benefits paid	(4,129)	(3,437)
Settlements	-	(3,584)
<b>Fair value of plan assets at 31 December</b>	<b>93,999</b>	<b>91,080</b>

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 statement of financial position dates.

	2019	2018
	%	%
Main assumptions:		
RPI inflation	3.00	3.20
Discount rate	2.00	2.75
Future salary increases	3.00	3.20
Statutory revaluation (CPI inflation)	1.90	2.10
Future pension increases (RPI min 3% p.a., max 5% p.a.)	3.55	3.65
Future pension increases (RPI max 5% p.a.)	2.95	3.10
Mortality before and after retirement – base table	80% S2PMA for Males, 90% S2PFA for Female	
Mortality before and after retirement – future improvements	Year of birth projections with CMI 2018 improvements from 2016 with 1.25% p.a. long- term trend rate	

#### Sensitivity Analysis

Based on the assumptions set out above, the impact on the defined obligation of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below:

	£'000
Value of defined benefit obligation at 31 December 2019	85,606
Discount rate increased by 0.5% p.a	78,825
Discount rate reduced by 0.5% p.a	93,723
Inflation increased by 0.5% p.a	90,899
Inflation reduced by 0.5% p.a	80,404

The above analyses assumption changes if they occur in isolation, except in the case of inflation where any change is assumed to have a corresponding impact on salary increases and inflation linked pension increases. In practice, some assumptions are likely to be correlated.

The most recently completed actuarial valuation of the company's main retirement benefits scheme was carried out as at 6 April 2018. As a result of that valuation in April 2015 employer contributions were raised from 39.1% to 41.1% with employee contributions remaining at 5%.

## Notes to the financial statements

at 31 December 2019

### 18. Pensions (continued)

The company contributions to the defined contribution pension scheme are charged to the income statement in the year they become payable, 2019: £386,000, (2018: £395,000). Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

### 19. Financial liabilities

At 31 December 2019, the company had obligations under leases as set out below:

	2019	2018
	£000	£000
Present value of lease liabilities	2,790	-
Repayable by instalments:		
in two to five years	2,423	-
in more than five years	367	-
	<u>2,790</u>	<u>-</u>

### 20. Adoption of IFRS 16

Hydro Building Systems UK Ltd has decided to implement IFRS 16 using the modified retrospective approach with the cumulative effect of initially applying the standard recognized at the date of implementation, i.e. January 1, 2019.

Leased assets with a remaining lease period of less than 12 months at transition were excluded from lease accounting. The effect in the statutory accounts was an increase of total assets after applying a discount effect of £5,735,980. This is split between Plant and Machinery of £978,888, Cars £258,217 and leased land and building of £4,498,875. The offset was then reflected in the opening liability of the lease of £5,735,980. No other IFRS 16 related transition adjustments were identified and no adjustments to retained earnings was required.

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a varied discount rate to a portfolio of leases based upon time of the lease outstanding.
- The company did not account for operating leases which had a remaining lease term of less than 12 months.

## Notes to the financial statements

at 31 December 2019

### 20. Adoption of IFRS 16 (continued)

	<i>Land &amp; Buildings</i> £000	<i>Machinery &amp; Equipment</i> £000	<i>Motor Vehicles</i> £000	<i>Total</i> £000
Future minimum lease payments due: not later than 1 year	1,174	338	186	1,698
after one year but not more than five years	3,522	1,279	177	4,978
Total as at 31 <sup>st</sup> December 2018	4,696	1,617	363	6,676
Discount effect	(197)	(48)	(6)	(251)
Leases not capitalised		(591)	(55)	(646)
Effect of Service Rental			(44)	(44)
Lease Liability Recognised as at 1st January 2019	4,499	978	258	5,735

The liability is measured at present value of the remaining lease payments discounted at the following rates:

<i>Lease Term</i>	<i>Rate %</i>
1-3 Years	1.79
3-7 Years	2.21
7+ Years	2.78

### 21. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Hydro Holdings UK Limited. The ultimate controlling party is Norsk Hydro ASA, a company being incorporated in Norway.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Norsk Hydro ASA.

Copies of financial statements for both Norsk Hydro ASA can be obtained from the registered office address, Drammensveien 264, N-0283 Oslo, Norway.

### 22. Prior Year Adjustments

The company is part of the group's cash pooling arrangement, administered by the group's corporate finance department. At the end of each day, any cash held by the company is transferred to the group and if the company is in an overdraft position it receives money from the group, so that the balance in the company's bank account at the end of each day is nil and they have a receivable or payable from the group. In the prior year, the receivable due from the group in relation to the arrangement at 31 December 2018 of £5,979,000 was incorrectly included in 'cash at bank and in hand' in the balance sheet. The comparatives presented in these financial statements have therefore been restated. The effect of the restatement on these financial statements is to increase debtors (amounts recoverable from group undertakings) by £5,979,000 to £17,423,000 and decrease cash at bank and in hand by £5,979,000 to £nil at 31 December 2018. There was no impact on net assets at 31 December 2018, nor on profit for the year then ended, nor on the opening net assets at 1 January 2018.



## Notes to the financial statements

at 31 December 2019

### 22. Prior Year Adjustments (continued)

As at 31 December 2018 the defined benefit pension plan was in a surplus position and should have been presented within current asset on the balance sheet. However, in the prior year financial statements it was reported on the balance sheet as an asset within long term liabilities. This has been corrected by reclassifying the defined benefit pension plan surplus in the comparatives presented in these financial statements from being a line item within long term liabilities to a line item in current assets. At 31 December 2018, this has increased the subtotal of current assets by £11,484,000 to £35,152,000; the subtotal of net current assets by £11,484,000 to £19,322,000 and the subtotal for total assets less current liabilities by £11,484,000 to £27,957,000. There was no impact on the value of the defined benefit pension plan surplus. There was no impact on net assets at 31 December 2018, nor on profit for the year then ended, nor on the opening net assets at 1 January 2018.

### 23. Subsequent Events

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS19 assessment of the net pension asset or liability. In particular, global equity markets have seen significant falls in 2020. AA corporate bond yields, used to set the IAS19 discount rate, have been highly volatile. Long term inflation expectations, used to project future benefit payments, have also fallen. The net impact of the above is expected to have led to a deterioration in the Company's net pension asset since the balance sheet date, with the impact of favourable liability assumptions offsetting the drop-in value of the scheme assets.