

Registered Number: 01029071

Hydro Building Systems UK Limited

Report and Financial Statements

31 December 2018



Corporate Information

Directors

S Helsen
S Viner
H Gomez

Secretary

S Viner

Auditors

KPMG LLP
Arlington Business Park
Theale
RG7 4SD

Bankers

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

J.P. Morgan
1st 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 2018.

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:

| | 2018 | Re-Styled 2017 | Change |
|---------------------------|--------|-------------------|---------|
| | £000 | £000 | % |
| Turnover | 54,934 | 56,895 | -3.6% |
| (Loss) / Profit after tax | (856) | 1,207 | -170.9% |
| Shareholder's funds | 26,237 | 25,274 | 3.8% |

Turnover has decreased by £1,961,000 during the year in line with market decline. Ongoing focus continues in both residential and commercial sectors. Shareholders' funds have increased in line with the business growth. The loss for the year after taxation amounted to £856,000 (2017: Profit £1,207,000).

The outlook for 2019/20 is challenging as economic uncertainty persists as a result of the 2016 EU referendum ('Brexit') which took place in June 2016.

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. Hydro has since resumed normal operations after working 24/7 both during and after the attack, with all available internal resources and in close co-operation with external expertise to resolve the situation. 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 that is currently being assessed so that the full financial impact on the business is still to be confirmed.

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.

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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Exposure to price, credit, liquidity and cashflow risk (continued)

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.

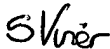
Legislative risks

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.

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 23rd September 2019 and signed on its behalf by:



S. Viner
Secretary

Date 23rd September 2019

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

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:

| | |
|-------------|----------------------------|
| N K Sissons | Resigned 20 March 2019 |
| K Cookson | Resigned 24 December 2018 |
| M Robinson | Resigned 26 April 2019 |
| N Eley | Resigned 31 December 2018 |
| P Strong | Resigned 15 May 2019 |
| S Biosca | Resigned 1 September 2019 |
| S Helsen | |
| S Viner | |
| H Gomez | Appointed 1 September 2018 |

Results and dividends

The loss for the year after taxation amounted to £856,000 (2017 – Profit £1,207,000). The directors do not recommend a final dividend (2017 – £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 of a key innovator in the industry.

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.

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

Wherever possible it is company policy to employ disabled persons, to offer continuity of employment to employees who become disabled, and to provide career and training opportunities commensurate with their abilities.

Directors' report (continued)

Employee involvement

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

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

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information required by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries with 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

KPMG were appointed as auditor of the Company for the year ended 31 December 2018.

This report was approved by the board of directors on 23rd September 2019 and was signed on its behalf by



S. Viner
Secretary

Date 23rd September 2019

Statement of directors' responsibilities

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' 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 2018 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 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as provisions, defined benefits pension plan liabilities (surplus) and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the companies' future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the companies' future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

Independent auditors' report (continued)

to the members of Hydro Building Systems UK Limited

Strategic report 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.

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 4, 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.

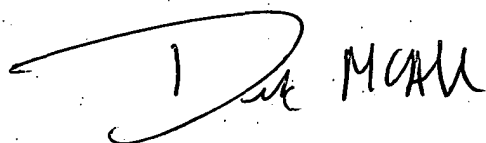
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditors' report (continued)

to the members of Hydro Building Systems UK Limited

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.



Derek McAllan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Arlington Business Park

Reading

RG7 4SD

Date: 25 September 2019

Income Statement

for the year ended 31 December 2018

| | | 2018 | Re-Styled 2017 |
|---|-------|----------|-------------------|
| | Notes | £000 | £000 |
| Turnover | 3 | 54,934 | 56,895 |
| Cost of sales | | (33,172) | (34,217) |
| Gross profit | | 21,762 | 22,678 |
| Distribution costs | | (5,021) | (4,451) |
| Administration Expenses | | (18,084) | (16,973) |
| Operating (Loss) / Profit | 4 | (1,344) | 1,254 |
| Interest receivable | 7 | 21 | 3 |
| Interest payable | 8 | (8) | (18) |
| Other finance cost – pensions | 17 | 266 | (10) |
| (Loss) / Profit on ordinary activities before taxation | | (1,065) | 1,229 |
| Tax charge | 9 | (209) | (22) |
| (Loss) / Profit for the financial year | | (856) | 1,207 |

All amounts relate to continuing activities.

The notes on pages 13-27 form part of the financial statements.

Statement of comprehensive income

for the year ended 31 December 2018

| | | 2018 | 2017 |
|---|----|-------|---------|
| | | £'000 | £'000 |
| (Loss) / Profit for the year | | (856) | 1,207 |
| Other comprehensive income that will not be reclassified to the income statement: | | | |
| Re-measurement on defined benefit scheme gain | 17 | 2,246 | 12,505 |
| Deferred tax on Re-measurement of defined benefit scheme liabilities | 9 | (427) | (2,407) |
| Total other comprehensive profit for the year | | 1,819 | 10,098 |
| Total comprehensive (expense)/ income for the year | | (963) | 11,305 |

Statement of changes in equity

for the year ended 31 December 2018

| | <i>Called up Share Capital £'000</i> | <i>Retained Earnings £'000</i> | <i>Total Equity £'000</i> |
|---|--|------------------------------------|-------------------------------|
| <i>At 1 January 2017</i> | 1,420 | 12,549 | 13,969 |
| Profit for year | - | 1,207 | 1,207 |
| Other comprehensive profit for the year | - | 10,098 | 10,098 |
| <i>At 1 January 2018</i> | 1,420 | 23,854 | 25,274 |
| Loss for the year | - | (856) | (856) |
| Other comprehensive profit for the year | - | 1,819 | 1,819 |
| At 31 December 2018 | 1,420 | 24,817 | 26,237 |

Statement of Financial Position

at 31 December 2018

| | Notes | 2018 £000 | 2017 £000 |
|---|-------|----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 10 | 115 | 325 |
| Tangible assets | 11 | 2,271 | 2,640 |
| | | <u>2,386</u> | <u>2,965</u> |
| Current assets | | | |
| Stocks | 12 | 6,245 | 5,406 |
| Debtors | 13 | 11,444 | 11,687 |
| Cash at bank and in hand | | 5,979 | 7,410 |
| | | <u>23,668</u> | <u>24,503</u> |
| Creditors: amounts falling due within one year | 14 | <u>(9,581)</u> | <u>(11,405)</u> |
| Net current assets | | <u>14,087</u> | <u>13,098</u> |
| Total assets less current liabilities | | <u>16,473</u> | <u>16,063</u> |
| Provisions for liabilities | 15 | (1,720) | (1,457) |
| Defined benefit pension plan surplus | 17 | 11,484 | 10,668 |
| Net assets | | <u>26,237</u> | <u>25,274</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 1,420 | 1,420 |
| Retained earnings | | 24,817 | 23,854 |
| Total Equity | | <u>26,237</u> | <u>25,274</u> |

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 23rd September 2019

Notes to the financial statements

at 31 December 2018

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 2018 were authorised for issue by the board of directors on 23rd September 2019 and the statement of financial position was signed on the board's behalf by S Viner.

Hydro Building Systems UK Limited is a 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) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. 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 and that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Prior year adjustment – Reclassification of expenses

In 2018 the company changed ERP systems effective as of 1st June 2018 to SAP. The change to the system enabled a more granular analysis of expenditure to be performed and as a result the Company identified that some of its expenses were not reflected correctly and so have reclassified expenditure for the year ended 31 December 2017.

This has resulted in an increase in admin expenses of £1.132m, a decrease in cost of sales of £3.256m, an increase in turnover of £14k and an increase in distribution expenses of £2.138m. The gross profit for the period increased by £3.270m and there was no change on the net profit for the period to 31st December 2017.

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.

However Hydro Building Systems UK Ltd has taken the advantage of the disclosure exemptions under FRS101, which are exemption from the requirements 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.

Notes to the financial statements

at 31 December 2018

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.

New pronouncements

As of the date of authorization of these financial statements, the IASB has issued IFRS 16 Leases; effective date 1st January 2019, which will be relevant for Hydro Building Systems UK Ltd.

Hydro Building Systems UK Ltd has decided to implement IFRS 16 retrospectively 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 will be excluded from lease accounting. The effect in the statutory accounts will be 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 is then reflected in the liability of the lease of £5,735,980.

2. Accounting policies

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 2018.

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

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

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:

Deferred tax asset

Management judgement is required to determine the amount of deferred tax assets that may be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Deferred tax has been recognised as it is anticipated that the company will have sufficient taxable profits against which these assets will reverse.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits 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 compile this information and engages investment managers to manage the assets of the scheme in the most effective manner.

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.

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.

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% |

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

b) *Tangible fixed assets (continued)*

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) *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.

d) *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.

e) *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 enforcement 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.

f) *Foreign currencies*

Transactions in foreign currency are initially recorded by applying spot exchange rate at date of transactions. Foreign currency balances are translated at the rates of exchange ruling at the statement of financial position date. All differences arising on translation are taken to the income statement.

g) *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.

Notes to the financial statements

at 31 December 2018

2. Accounting policies (continued)

h) Operating leases

The cost of all operating leases is charged to the income statement on a straight-line basis over the term of the lease.

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

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 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. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the income statement when they fall due. 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.

Notes to the financial statements

at 31 December 2018.

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:

| | 2018 | Re-Styled 2017 |
|----------------|---------------|-------------------|
| | £000 | £000 |
| United Kingdom | 51,225 | 52,556 |
| Europe | 3,474 | 4,321 |
| Rest of World | 235 | 18 |
| | <u>54,934</u> | <u>56,895</u> |

4. Operating (loss) / profit

This is stated after charging/(crediting):

| | 2018 | 2017 |
|--|-------|-------|
| | £000 | £000 |
| Auditors' remuneration – audit services | 31 | 31 |
| Depreciation of intangible and tangible fixed assets | 713 | 604 |
| Research and development | 742 | 580 |
| Operating lease rentals: – plant and machinery | 395 | 622 |
| – land and buildings | 1,079 | 1,137 |
| Foreign exchange (Gain) | (62) | (122) |

5. Directors' remuneration

| | 2018 | 2017 |
|--|------------|------------|
| | £000 | £000 |
| Remuneration | 638 | 670 |
| Company contributions paid to defined contribution pension schemes | 28 | 28 |
| Pension contributions to the defined benefit pension scheme | 74 | 72 |
| | <u>740</u> | <u>770</u> |
| <i>In respect of the highest paid director:</i> | | |
| Remuneration | 144 | 160 |
| Pension contributions to the defined benefit pension scheme | 46 | 45 |
| | <u>190</u> | <u>205</u> |
| Defined benefit scheme – accrued pension at year end | <u>47</u> | <u>43</u> |

Retirement benefits are accruing to 1 director under the company's defined benefit scheme (2017 – 2).

The remuneration of S Helsen, S Biosca 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 directors.

Notes to the financial statements

at 31 December 2018

6. Staff costs

| | 2018 £000 | 2017 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 7,969 | 7,555 |
| Social security costs | 844 | 909 |
| Other pension costs | 635 | 604 |
| | <u>9,448</u> | <u>9,068</u> |

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

| | 2018 No. | 2017 No. |
|---------------------------|-------------|-------------|
| Production | 86 | 86 |
| Office and administration | 132 | 121 |
| | <u>218</u> | <u>207</u> |

7. Interest Receivable

| | 2018 £000 | 2017 £000 |
|---------------|--------------|--------------|
| Bank interest | 21 | 3 |
| | <u>21</u> | <u>3</u> |

8. Interest Payable

| | 2018 £000 | 2017 £000 |
|---------------|--------------|--------------|
| Bank interest | 8 | 18 |
| | <u>8</u> | <u>18</u> |

9. Tax

(a) Tax charged in the income statement

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Current tax: | | |
| Corporation Tax | 12 | 467 |
| Adjustment to tax charge in respect of previous years | (56) | 27 |
| Total current tax | <u>(44)</u> | <u>494</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (328) | (466) |
| Adjustment to tax charge in respect of previous years | 163 | (6) |
| Total deferred tax (credit)/charge | <u>(165)</u> | <u>(472)</u> |
| Tax expense/ (credit) in the income statement | <u>(209)</u> | <u>22</u> |

Notes to the financial statements

at 31 December 2018

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% (2017 – 19.25%). The differences are reconciled below:

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| (Loss) / Profit on ordinary activities before tax | (1,065) | 1,229 |
| (Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0 % (2017 – 19.25%) | (202) | 236 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 50 | 32 |
| Deferred tax rate changes | (31) | (257) |
| Movement in un-provided deferred tax | (56) | (10) |
| Adjustment to tax charge in respect of previous years | 30 | 21 |
| Total tax expense/(credit) reported in the income statement | (209) | 22 |

(c) Deferred tax

The deferred tax (liability)/ asset is as follows:

| | 2018 £000 | 2017 £000 |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | 266 | 360 |
| Short term timing differences | (1,916) | (1,747) |
| | (1,650) | (1,387) |

Movements in the deferred tax account are as follows:

| | 2018 £000 | 2017 £000 |
|---|----------------|----------------|
| At 1 January | (1,387) | 548 |
| Charged to income statement in the current year | 328 | 466 |
| Adjustment to tax charge in respect of previous years | (164) | 6 |
| Deferred tax on pension scheme (debited)/credited to other comprehensive income | (427) | (2,407) |
| At 31 December 2018 | (1,650) | (1,387) |

Notes to the financial statements

at 31 December 2018

9. Tax (continued)

From 1 April 2018, the corporation tax rate was 19%. Further reductions in the UK corporation tax rate to 17% from 1 April 2020 have been substantively enacted and consequently deferred tax has been recognised at a rate of 17% (2017 - 17%).

10. Intangible assets

| | <i>Software Costs £'000</i> | <i>Total £000</i> |
|---------------------|-------------------------------------|-----------------------|
| Cost: | | |
| At 1 January 2018 | 2,662 | 2,662 |
| Disposals | (2,026) | (2,026) |
| Additions | 39 | 39 |
| Reclassification | (92) | (92) |
| At 31 December 2018 | <u>583</u> | <u>583</u> |
| Depreciation: | | |
| At 1 January 2018 | 2,337 | 2,337 |
| Disposals | (2,026) | (2,026) |
| Charge for the year | 102 | 102 |
| Reclassification | 55 | 55 |
| At 31 December 2018 | <u>468</u> | <u>468</u> |
| Net book value: | | |
| At 31 December 2018 | <u>115</u> | <u>115</u> |
| At 1 January 2018 | <u>325</u> | <u>325</u> |

Notes to the financial statements

at 31 December 2018 /

11. Tangible fixed assets

| | <i>Short-leasehold property £000</i> | <i>Plant and machinery £000</i> | <i>Total £000</i> |
|---------------------|--|---|-----------------------|
| Cost: | | | |
| At 1 January 2018 | 930 | 6,773 | 7,703 |
| Disposals | (8) | (704) | (712) |
| Additions | - | 187 | 187 |
| Reclassification | - | 92 | 92 |
| At 31 December 2018 | 922 | 6,348 | 7,270 |
| Depreciation: | | | |
| At 1 January 2018 | 692 | 4,371 | 5,063 |
| Disposals | - | (620) | (620) |
| Charge for the year | 80 | 531 | 611 |
| Reclassification | - | (55) | (55) |
| At 31 December 2018 | 772 | 4,227 | 4,999 |
| Net book value: | | | |
| At 31 December 2018 | 150 | 2,121 | 2,271 |
| At 1 January 2018 | 238 | 2,402 | 2,640 |

12. Stocks

| | <i>2018 £000</i> | <i>2017 £000</i> |
|-------------------------------------|----------------------|----------------------|
| Raw materials and consumables | - | 763 |
| Work in progress | 232 | 341 |
| Finished goods and goods for resale | 5,870 | 4,153 |
| Tooling Inventory | 143 | 149 |
| | <u>6,245</u> | <u>5,406</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 £31,396,564 (2017: £32,236,963).

Notes to the financial statements

at 31 December 2018

13. Debtors

| | 2018 £000 | 2017 £000 |
|-------------------------------------|---------------|---------------|
| Trade debtors | 10,712 | 10,914 |
| Amounts owed by fellow subsidiaries | 206 | 159 |
| Other debtors | - | 38 |
| Prepayments and accrued income | 526 | 576 |
| | <u>11,444</u> | <u>11,687</u> |

14. Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|---------------------------------------|--------------|---------------|
| Trade creditors | 3,925 | 5,021 |
| Amounts owed to fellow subsidiaries | 3,474 | 3,759 |
| Amounts owed to parent | 230 | 266 |
| Other taxes and social security costs | 864 | 608 |
| Other creditors | 1 | 202 |
| Accruals | 1,075 | 1,082 |
| Corporation tax | 12 | 467 |
| | <u>9,581</u> | <u>11,405</u> |

15. Provision for liabilities

| | Dilapidations £000 | Total £000 |
|--------------------------------------|-----------------------|---------------|
| At 1 January 2018 | 70 | 70 |
| Utilised in the year | - | - |
| | <u>70</u> | <u>70</u> |
| Deferred tax liability (see note 9c) | | 1,650 |
| | | <u>1,720</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 provision for these costs has been accrued over the life of the lease and is dependent on the length of the lease. Leases vary in length between 1 and 5 years.

16. Issued share capital

| | No. | 2018 £000 | No. | 2017 £000 |
|---|-----------|--------------|-----------|--------------|
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 1,420,320 | <u>1,420</u> | 1,420,320 | <u>1,420</u> |

Notes to the financial statements

at 31 December 2018

17. 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:

| | 2018 | 2017 |
|--|------|------|
| | £000 | £000 |
| Defined Benefit Scheme – Contributions | 290 | 312 |

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 2018 a surplus of £11,484,000 (2017 – £10,668,000) has been recognised in respect of the defined benefit pension plan.

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

| | 2018 | 2017 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Scheme assets at fair value | | |
| UK equities | 7,784 | 8,295 |
| Overseas equities | 23,920 | 23,548 |
| Emerging market equities | 7,843 | 11,035 |
| Corporate bonds | 33,271 | 34,564 |
| Index linked gilts | 17,581 | 17,231 |
| Trustees bank balance | 116 | 10,650 |
| Uncleared settlements | - | (3,892) |
| Value of insured annuities | 565 | 849 |
| Fair value of scheme assets | 91,080 | 102,280 |
| Present value of scheme liabilities | (79,596) | (91,612) |
| Defined benefit pension plan surplus | 11,484 | 10,668 |

Notes to the financial statements

at 31 December 2018

17. Pensions (continued)

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 31st December 2017. All transfers which had been formally approved by the Company prior to 31st December 2017 had been accounted for in the 2017 valuation. Those valuations which were not approved by 31st 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.

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

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Net asset/(liability)/asset at 1 January | 10,668 | (454) |
| Employer contributions received | 290 | 312 |
| Expense recognised in the income statement | (1,720) | (1,695) |
| Re-measurement gains in OCI | 2,246 | 12,505 |
| Net asset at 31 December | <u>11,484</u> | <u>10,668</u> |

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

| | 2018 | 2017 |
|--|--------------|---------------|
| | £'000 | £'000 |
| <i>Recognised in the income statement</i> | | |
| Current service cost | 338 | 348 |
| Past service cost / (credit) | 1,300 | (132) |
| Settlement losses | 348 | 1,469 |
| Net interest on defined benefit surplus | (266) | 10 |
| Total expense recognised in the statement of comprehensive income | <u>1,720</u> | <u>1,695</u> |
| <i>Taken to the statement of comprehensive income</i> | | |
| Return on plan assets (excluding amounts included in net interest expense) | (6,983) | 7,531 |
| Actuarial gain arising from changes in financial assumptions | 4,610 | 2,096 |
| Actuarial gain arising from changes in demographic assumptions | 2,025 | 2,064 |
| Actuarial gain arising from changes from scheme experience | 2,594 | 814 |
| Gain recognised in the statement of comprehensive income | <u>2,246</u> | <u>12,505</u> |

Notes to the financial statements

at 31 December 2018

17. Pensions (continued)

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

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| As at 1 January | 91,612 | 109,389 |
| Current service cost | 338 | 348 |
| Past service cost / (credit) | 1,300 | (132) |
| Settlements | (3,236) | (12,123) |
| Interest cost | 2,211 | 2,760 |
| Contributions by scheme participants | 37 | 40 |
| Actuarial (gain)/loss arising from changes in financial assumptions | (4,610) | (2,096) |
| Actuarial (gain) arising from changes in demographic assumptions | (2,025) | (2,064) |
| Actuarial (gain) arising from changes from scheme experience | (2,594) | (814) |
| Benefits paid | (3,437) | (3,696) |
| Defined benefit obligation at 31 December | 79,596 | 91,612 |

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

| | 2018 £'000 | 2017 £'000 |
|---|---------------|----------------|
| As at 1 January | 102,280 | 108,935 |
| Interest income on plan assets | 2,477 | 2,750 |
| Return on scheme assets excluding interest income | (6,983) | 7,531 |
| Contributions by employer | 290 | 312 |
| Contributions by employee | 37 | 40 |
| Benefits paid | (3,437) | (3,696) |
| Settlements | (3,584) | (13,592) |
| Fair value of plan assets at 31 December | 91,080 | 102,280 |

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.

| | 2018 | 2017 |
|---|---|------|
| Main assumptions: | % | % |
| RPI inflation | 3.20 | 3.20 |
| Discount rate | 2.75 | 2.45 |
| Future salary increases | 3.20 | 3.20 |
| Statutory revaluation (CPI inflation) | 2.10 | 2.10 |
| Future pension increases (RPI min 3% p.a., max 5% p.a.) | 3.65 | 3.65 |
| Future pension increases (RPI max 5% p.a.) | 3.10 | 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 2017 improvements from 2016 with 1.25% p.a. long-term trend rate | |

Notes to the financial statements

at 31 December 2018

17. Pensions (continued)

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 2018 | 79,596 |
| Discount rate increased by 0.5% p.a | 73,692 |
| Discount rate reduced by 0.5% p.a | 86,251 |
| Inflation increased by 0.5% p.a | 83,351 |
| Inflation reduced by 0.5% p.a | 75,067 |

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 5 April 2015. As a result of that valuation in April 2015 employer contributions were raised from 33.8% to 39.1% with employee contributions remaining at 5%.

The company contributions to the defined contribution pension scheme are charged to the income statement in the year they become payable, 2018: £395,000, (2017: £340,000). 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.

18. Other financial commitments

At 31 December 2018, the company had commitments due under non-cancellable operating leases as set out below:

| | 2018 | | 2017 | |
|---|-------------------------------|--------------|-------------------------------|--------------|
| | <i>Land and buildings</i> | <i>Other</i> | <i>Land and buildings</i> | <i>Other</i> |
| | £000 | £000 | £000 | £000 |
| Future minimum lease payments due: | | | | |
| not later than one year | 1,174 | 524 | 1,173 | 422 |
| after one year but not more than five years | 3,522 | 1,456 | 3,304 | 186 |
| | <u>4,696</u> | <u>1,980</u> | <u>4,477</u> | <u>608</u> |

The company has entered into commercial leases on certain properties and other tangible assets. These leases have an average duration of between 1 and 5 years and contain varied terms specific to each lease, such as break options, renewal options and rent reviews. There are no restrictions placed upon the lessee by entering these leases.

Notes to the financial statements

at 31 December 2018

19. 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.