Registered Number: 01029071

Hydro Building Systems UK Limited

Annual Report and Financial Statements

31 December 2021

Corporate Information

Directors

S Helsen
S Viner
H Gomez
A Barr

Secretary
S Viner

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Registered No. 01029071

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2021.

Review of the business and outlook

Hydro Building Systems UK Limited ("HBS") 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:

	2021	*2020*	*Change*
	£000	*£000*	*%*
Turnover	38,859	35,363	9.9%
Loss after tax	(1,700)	(3,068)	44.6%
Shareholder's funds	16,348	12,896	26.8%

During the year under review turnover has increased by £3,496,000. This was a direct result of the release of the COVID 19 restrictions, that impact our customers. During 2021 the company remaining fully open and was not impacted by any issues related to COVID19. The business responded well to the restrictions placed on it by the various government guidelines during the year, and the employees played a huge part in make that a success. HBS did use the Job Retention Scheme during 2021, this can be seen in note 4.

During the year under review, it has been clear to the business that the UK construction market suffered a small increase in output following the very significant decline during 2020. Most construction sites were operating back to normal levels, but outbreaks of COVID did impact those sites and at very short notice. For the home improvement market, restrictions that were in place, have been removed, and HBS did see an increase in activity following this. Both factors resulted in the increased turnover for the year. The commercial segment of the business was the segment that saw the biggest increase during the year.

Cash balances decreased by £6.8m during the year to finish at £1.7m overdrawn. As there is a cash pooling agreement in place, this is shown on the balance sheet within amounts owed to Group Undertakings. The decrease in cash was caused by the realignment of working capital due to increased turnover which resulted in higher trade debtors and stock holding at the end of the year.

Shareholders' funds have increased in the year due to the change in the pension scheme valuation at year end, although partially offset by the loss of the year after taxation which amounted to £1,700,000 (2020: loss £3,068,000).

The outlook for 2022/23 is more promising with all COVID restrictions now removed, the business has seen a steady increase in the orders for Q1 2022, and the indication of more to come. The performance of the business in the first quarter of 2022 is stronger than the same period in 2021 both in terms of Sales and EBITDA. The directors' view is that this will continue for the remaining part of 2022. The business fully expects turnover & EBITDA to increase from 2021 levels in the financial year to 31st December 2022, and whilst not back to 2019 levels, they will be increasing.

During 2021 the business continued to adapt to all the changes following the formal exit from the EU, and the change to an independent trade policy. There has been a requirement for all businesses to undertake a new and large amount of customs documentation. This therefore allows the smooth flow of both Import and Export goods and services between the UK and Europe. HBS has seen an increase in the costs associated with this movement of goods, following the change to import and export duty rates, the changes required to state the country of origin, commodity code changes, transportation costs and final customs clearance fees charged by the freight forward agents. HBS was in the position of being very well prepared for this change, due to the high level of testing and checking with all applicable parties to ensure a swift and seamless move over to the new way of working.

Strategic Report (continued)

There was no interruption of supply to our customers, and paperwork being correctly completed on both the import and export aspects. The changes made in the ERP system facilitated this swift move. There are still some challenges to come in the coming period, but these will be met with the same swift and committed focus that we have previously shown on this topic.

Significant events during the year

During the year the business was faced with a few supply chain issues that impacted certain customers and certain products. Due to the continuing support from the Hydro group, and the stocks held across multiple Hydro production sites, these interruptions whilst frustrating to both HBS and our customers, were limited to a few ranges. These supply issues were mainly resolved in Q4 2021, and we are now seeing the continued improvements of the global supply chain.

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.

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

During the year, our prime focus has been on the continuing safety of our employees, both at home and at work. Whilst HBS has experienced a few cases of COVID within the workplace, those employees followed the self-isolation rules and the impact on the business was very limited. As a result of the measures we put in place within the business, we managed to maintain a full working operation throughout 2021. That is a true testament to the Health and Safety consciousness of all our colleagues and how well they have handled this pandemic. The directors would personally like to thank all employees for this awareness and safety working practice during this period.

During 2021 the business continued to adopt to a new way of working, social distancing was commonplace in all areas of the business, flexible working conditions where appropriate were offered to all employees, along with the working from home requirements.

We have also had to restrict visitors to the main sites, cancelled all training and social events and employee meetings have all been virtual. I am pleased to report that all employees have respond well to these changes. Those employees have shown a true determination to succeed to these new challenges. I am also pleased to report that all those restrictions have now been removed throughout Q4 2021 and into 2022.

Throughout 2021, HBS continued the policy of offering all employees the option of obtaining an additional laptop or tablet during this period to help those employees with children who have been home schooled and do not have the IT equipment to enable the home schooling to be completed. I am pleased to report that several employees took up this offer.

The Directors have considered the potential impact of the COVID-19 for 2022 and concluded that the company's ability to continue as a going concern has not changed. The market, whilst uncertain, is still generating business and at a significant level for the Company to operate within. The Directors have reviewed the ongoing cash requirement of the business, considering 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. Further details are given in note 2 to the accounts.

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

Strategic Report (continued)

Climate change and environmental risks

HBS 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.

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

The Paris agreement sets an ambition to limit global warming below 1.5 degrees. In response to this, Hydro has set its own net-zero ambition by 2050 or earlier and believes low-carbon aluminium products can play an important role in reducing global greenhouse gas (GHG) emissions.

Hydro's overarching ambition toward 2050 is to reduce the climate impact of our value chain through greener sourcing, greener production, and greener products. A crucial step in this direction is to explore different paths toward achieving net zero goals emissions toward 2050 or earlier and reduce our own emissions by 30 percent by 2030. Combined with greener sourcing, we aim to help our customers to reduce their emissions.

Hydro's climate strategy is an integral part of our overall business strategy, aiming at driving improvements and development within the company. Impact on the climate strategy is also a criterion for all significant investment decisions. The strategy includes reducing the climate impact of our operations as well as taking advantage of business opportunities by enabling our customers to do the same.

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

Hydro's new certified low-carbon product brands CIRCAL and REDUXA were launched in 2020, 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 percent less energy than primary aluminium 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.

Strategic Report (continued)

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.

Data risks

HBS's global data protection procedure constitutes the company's binding corporate rules for data protection and ensures compliance with the EU General Data Protection Regulation (GDPR). It was approved by the relevant EU data protection authorities in May 2018. In 2020, we strengthened HBS's data protection work, with a specific emphasis on clarifying roles and responsibilities. Designated data privacy coordinators appointed by and for the respective business areas and staff functions forms part of the data privacy network chaired by the head of data privacy. A special emphasis was given to data privacy as in the compliance training provided by Group Compliance and Legal in 2020. This was maintained during 2021, with specific training requirements for new starters and follow up training for all employees.

Code of Conduct

Hydro Group'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. It requires adherence to laws and regulations as well as internal constituting documents and global directives and is systematically implemented and followed up through our compliance system.

Hydro's compliance system is based on a clear governance structure defining roles and responsibilities regarding compliance and all compliance-related activities undertaken throughout the company.

An integrity culture index was introduced in Hydro's employee engagement survey in 2020. The index benchmarked the employee perception of our integrity culture, measuring the tone from the top, within their department, their leaders, the comfort of speaking up and organizational justice, i.e., perception of fairness. The overall score of the index was within the first quartile of the defined external benchmark. The results, which identified strengths and weaknesses, provided us with a good basis for specific and tailored compliance activities going forward.

As part of Hydro's social responsibility strategy, we have defined priorities and overall goals and implemented these through specific directives, policies, and procedures to manage social risks and opportunities throughout the company.

In 2021, training was provided on the topics of anti-corruption, Hydro's Code of Conduct, competition law, data privacy, trade sanctions and market regulations.

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 group, 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. Normally, concerns and complaints should be raised with the employee's superior. However, if the employee is uncomfortable with that, he or she may raise the issue with human resources, HSE (health, safety, and environment), a union/safety representative, compliance, legal or internal audit.

The employee can also use Hydro's whistle-blower channel, AlertLine, where concerns can be reported anonymously. All employees and on-site contractors can always use the AlertLine in their own language via toll-free phone numbers, Hydro's intranet or through a dedicated address on the internet.

Section 172 Statement

In line with the Companies Act requirement for periods commencing on or after 1 January 2020, 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 (2021-2025) 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 completive 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 employees of the Company – The Hydro values which underpin the day-today 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.

Strategic Report (continued)

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.

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 15th September 2022 and signed on its behalf by:

S Viner

S. Viner
Secretary
Date 15th September 2022

Registered No. 01029071

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021.

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
A Barr (Appointed 21st February 2022)

Results and dividends

The loss for the year after taxation amounted to £1,700,000 (2020 – Loss £3,068,000). The directors do not recommend a final dividend (2020 – £nil).

Research and development

The company continues to invest in research and development (R&D) 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.

Going concern

The directors' assessment of going concern is provided in Note 2.

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.

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. While tighter COVID-19 measures were in place, these communication methods have been adopted, 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.

Directors' report (continued)

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 always taken 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.

Directors' report (continued)

Streamlined Energy and Carbon Reporting

The directors have shown below the Statement of Carbon Emissions. This covers Scope 1 to 3. The reporting period for the compliance is the same as the financial year 1 January to 31 December 2021.

The total amount of CO2e emissions were 775.6 in the financial year. The company has chosen tonnes per tonnes of aluminium sold as an appropriate ratio.

The total kWh used in Scope 1 & 2 emissions was 1,299,597 kWh.

Type of activity	Scope	kWh 2021	Tonnes CO2e - FY21	kWh 2020	Tonnes CO2e - FY20
Propane	Scope 1	77,925	17.3	139,306	30.6
Electricity	Scope 2	784,541	166.6	737,343	170.4
Gas	Scope 2	437,131	80.1	416,519	76.4
Water	Scope 3		0.1		0.2
Truck fuel	Scope 3		495.8	2,014,899	535.1
Waste	Scope 3		1.7		1.9
Scrap	Scope 3		3.1		3.2
Air Travel	Scope 3		4.0		16.5
Hotel Stays	Scope 3		5.6		1.1
Train Travel	Scope 3		1.3		0.5
Total Gross CO2e (tonnes)		**1,299,597**	**775.6**	**3,308,067**	**835.9**
Carbon Emissions per tonnes of aluminium sold			5.5		4.7

Efficiency Measures Taken

The company has introduced several energy efficient measures during the year, a selection of those are shown below:

- Reduced business travel, thereby reducing the needs to overnight stay or flights.
- Introducing a working from home policy to save visits to the office if not required.
- Replaced old and inefficient lights fittings with LED on a replacement basis in the warehouse, offices, and outdoor lighting facilities
- Increasing the amount of waste recycled compared to 2020
- Replaced old and inefficient IT equipment with more energy efficient items, such as iPad's and laptops
- Introduced a Hybrid or Electric fleet policy for company cars drivers, along with a restriction on company car CO2 to be below 120
- Installed electrical vehicle charging points at all office facilities
- Contributing to the cost of home electrical charging points for company car drivers
- Put in place new software to enable all employees to use digital and virtual media platforms to employees to hold meetings, and for customers events.
- Video conferencing facilities also in place for large scale corporate events

Directors' report (continued)

Methodology used

The company has used the UK Government's GHG Conversion factors for reporting 2021 to calculate its carbon emissions. Included within the data above are Scope 1, 2 & 3 emissions.

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 15th September 2022 and was signed on its behalf by

S Viner

S. Viner
Secretary

Date 15th September 2022

Severn Drive
Tewkesbury
Gloucestershire
GL20 8SF

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- 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 System UK Limited ("the company") for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position Sheet, 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 2021 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking account of possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue with an unexpected corresponding journal entry.
- Selecting a sample of sales occurring in December 2020 and January 2021 (which we deemed to be the timeframe of highest risk of revenue recognition misstatements) and vouched the transactions to underlying evidence to support the timing of revenue recognition.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or beaches of law and regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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 12, 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.

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.

Matt Britton.

Matthew Britton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
15th September 2022

Income Statement

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	3	38,859	35,363
Cost of sales		(25,275)	(22,602)
Gross profit		13,584	12,761
Other Operating Income	4	8	508
Distribution costs		(3,690)	(3,917)
Administration Expenses		(12,114)	(13,069)
Operating (Loss)	5	(2,212)	(3,717)
Interest receivable	8	-	5
Interest payable	9	(58)	(84)
Other finance income – pensions	18	33	172
(Loss) before taxation		(2,237)	(3,624)
Tax on loss	10	537	556
(Loss) for the financial year		(1,700)	(3,068)

All amounts relate to continuing activities.

The notes on pages 20-37 form part of the financial statements.

Statement of comprehensive income

for the year ended 31 December 2021

		2021 £'000	2020 £'000
(Loss) for the year		(1,700)	(3,068)
Other comprehensive income that will not be reclassified to the income statement:			
Remeasurement on defined benefit scheme gain / (loss)	18	7,092	(5,947)
Deferred tax on remeasurement of defined benefit scheme asset	10	(1,940)	1,130
Total other comprehensive gain / (loss) for the year		5,152	(4,817)
Total comprehensive income / (expense) for the year		3,452	(7,885)

Statement of changes in equity

for the year ended 31 December 2021

	Called up Share Capital £'000	*Retained Earnings £'000*	*Total Equity £'000*
At 1 January 2020	1,420	19,361	20,781
(Loss) for year	-	(3,068)	(3,068)
Other comprehensive (loss) for the year	-	(4,817)	(4,817)
At 1 January 2021	1,420	11,476	12,896
(Loss) for the year	-	(1,700)	(1,700)
Other comprehensive income for the year	-	5,152	5,152
At 31 December 2021	1,420	14,928	16,348

The notes on pages 20-37 form part of the financial statements.

Statement of Financial Position

at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	-	13
Tangible assets	12	1,138	1,613
Right of Use assets	13	1,896	2,639
		3,034	4,265
Current assets			
Defined benefit pension plan surplus	18	9,875	2,184
Stocks	14	4,567	3,560
Debtors	15	12,087	13,707
		26,529	19,451
Creditors: amounts falling due within one year	16	(12,398)	(9,477)
Net current assets		14,131	9,974
Total assets less current liabilities		17,165	14,239
Financial liabilities – non-current	20	(817)	(1,343)
Net assets		16,348	12,896
Capital and reserves			
Called up share capital	17	1,420	1,420
Retained earnings		14,928	11,476
Total Equity		16,348	12,896

The notes on pages 20-37 form part of the financial statements.

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

S Viner

S Viner

Director

Date 15th September 2022

Company Registration Number 1029071

Notes to the financial statements

at 31 December 2021

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 2021 were authorised for issue by the board of directors on 15th September 2022 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.

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 UK-adopted international accounting standards ("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 £14,131,000 as at 31 December 2021 and a loss for the year then ended of £1,700,000. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts in order to assess going concern which indicates that, taking account of reasonably possible downsides, the company will have sufficient funds, through its cash pooling facility provided by its ultimate parent company, Norsk Hydro ASA, to meet its liabilities as they fall due during the going concern assessment period.

The company is a subsidiary of Norsk Hydro 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 a payable from the Group.

At 31st December 2021, the company had a creditor balance due to Group of £1.7m and remains in a creditor position at the time of signing these financial statements. The Group has indicated they will provide unrestricted access to funds of up to £5m and €0.5m, 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.

Consequently, 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 2021

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 2021.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company;

As the consolidated financial statements of Norsk Hydro ASA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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.

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.

Notes to the financial statements

at 31 December 2021

2. Accounting policies (continued)

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 2020, 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 2020 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

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

Notes to the financial statements

at 31 December 2021

2 Accounting policies (continued)

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 2021

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 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.

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 2021

2 Accounting policies (continued)

(i) 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.

Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. In accordance with the terms and conditions of the defined benefit scheme, the Company has an unconditional right to a refund of surplus from the plan under IFRIC 14.11 (b), assuming the gradual settlement of plan liabilities over time until all members have left the plan.

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 2021

2 Accounting policies (continued)

(l) Cash and overdrafts

The cash and overdraft position of the Company is presented in the financial statements within amounts owed to group undertakings in Note 16. This is due to the global group cash pooling arrangement within Norsk Hydro ASA.

(m) Government Grants

The company has adopted IAS 20.12 for grants received under the Coronavirus Job Retention Scheme. The grants have been recognised at the same time as the underlying wage and salary costs for which relief is being claimed. The company has recognised the grant within other income as disclosed in Note 4.

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:

	2021	*2020*
	£000	*£000*
United Kingdom	38,227	34,098
Europe	603	813
Rest of World	29	452
	38,859	35,363

4. Other Operating Income

In response to the COVID-19 coronavirus pandemic, in March 2020 the government of the UK introduced a wage subsidy programme for companies that had to shut their operations and furlough staff. Under the programme, an eligible company could apply for the subsidy in an amount of up to 80% of each employee's salary, subject to a maximum of £2,500 per employee, to continue paying monthly salaries to its furloughed employees. Hydro Buildings Systems was entitled to the wage subsidy on a monthly basis conditional on the employees continuing to be on furlough and the company continuing paying their salary. The company benefited from the programme from March to November 2020. As HBS also had Irish employees we were able to apply through our payroll provider to the Irish Revenue for government assistance for COVID-19 Wage Subsidy Scheme. This was applied for each month covering the periods May to August 2020. In 2020 the company received a wage subsidy of £508,000 in total under this programme.

During 2021 the scheme was not used for the Irish employees, and only used in Q1 2021 for UK based employees.

This is presented under Other operating income in the income statement.

	2021	*2020*
	£000	*£000*
Government Grant	8	508
	8	508

Notes to the financial statements

at 31 December 2021

5. Operating (loss)

This is stated after charging/(crediting):

	2021	*2020*
	£000	*£000*
Auditors' remuneration – audit services *	33	31
Depreciation of intangible, tangible fixed and right of use assets	1,875	2,009
Research and development	3	18
Operating lease rentals, less than 1 year: – plant and machinery	60	188
– land and buildings	32	30
Foreign exchange Gain/(Loss)	(97)	97

*The auditor also received further remuneration for the audit of these financial statements which was borne by the parent company. For the 2021 financial statements this additional element borne by the group amounted to £49,000 (2020: £19,000)

6. Directors' remuneration

	2021	*2020*
	£000	*£000*
Remuneration	110	95
Company contributions paid to defined contribution pension schemes	10	9
	120	104
In respect of the highest paid director:		
Remuneration	110	95
Pension contributions to the defined contribution pension scheme	10	9
	120	104

Retirement benefits were accruing to 1 director under the company's defined benefit scheme during 2021 (2020 – 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 directors.

Notes to the financial statements

at 31 December 2021

7. Staff costs

	2021	*2020*
	£000	*£000*
Wages and salaries	4,882	4,992
Social security costs	579	520
Other pension costs	457	435
Severance and other costs from restructuring activities	-	110
	5,918	6,057

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

	2021	*2020*
	No.	*No.*
Production	42	43
Office and administration	83	92
	125	135

8. Interest Receivable

	2021	*2020*
	£000	*£000*
Bank interest	-	5
	-	5

9. Interest Payable

	2021	*2020*
	£000	*£000*
Bank interest	3	3
Interest on lease liabilities	55	81
	58	84

Notes to the financial statements

at 31 December 2021

10. Tax

(a) Tax charged in the income statement

	2021 £000	2020 £000
Current tax:		
Corporation Tax *	(1,012)	(110)
Adjustment to tax charge in respect of previous years	10	(24)
Total current tax	(1,002)	(134)
Deferred tax:		
Origination and reversal of temporary differences	594	(564)
Deferred tax rate change	(119)	142
Adjustment to tax charge in respect of previous years	(10)	-
Total deferred tax (credit)/charge	465	(422)
Tax (credit) in the income statement	(537)	(556)

*This is the group relief surrendered, which is a group relief debtor.

(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% (2020 – 19.0%). The differences are reconciled below:

	2021 £000	2020 £000
(Loss) on ordinary activities before tax	(2,237)	(3,624)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0 % (2020 – 19.0%)	(425)	(689)
Effects of:		
Expenses not deductible for tax purposes		14
Non-Qualifying Depreciation	5	-
Non-deductible expenses.	1	-
Deferred tax rate changes	(118)	133
Adjustment to tax charge in respect of previous years	-	(14)
Total tax (credit) reported in the income statement	(537)	(556)

Notes to the financial statements

at 31 December 2021

11. Tax (continued)

(c) Deferred tax

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

	2021	*2020*
	£000	*£000*
Decelerated capital allowances	457	309
Short term timing differences	39	117
Employee Benefits	(2,469)	(415)
Tax Losses	-	421
	(1,973)	432

Movements in the deferred tax account are as follows:

	2021	*2020*
	£000	*£000*
At 1 January	432	(1,120)
Credited to income statement in the current year	(594)	564
Deferred tax rate change	119	(142)
Adjustment to Deferred tax charge in respect of previous years	10	0
Deferred tax on pension scheme (debited)/credited to other comprehensive income	(1,940)	1,130
At 31 December	(1,973)	432

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020: 19%).

Notes to the financial statements

at 31 December 2021

12. Intangible assets

	Software Costs £'000	*Total £000*
Cost:		
At 1 January 2021	350	350
Disposals	(45)	(45)
At 31 December 2021	305	305
Amortisation:		
At 1 January 2021	337	337
Disposals	(45)	(45)
Charge for the year	13	13
At 31 December 2021	305	305
Net book value:		
At 31 December 2021	-	-
At 1 January 2021	13	13

13. Tangible fixed assets

	Short-leasehold property £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 1 January 2021	245	5,815	6,060
Disposals	-	(103)	(103)
Additions	146	90	236
At 31 December 2021	391	5,802	6,193
Depreciation:			
At 1 January 2021	197	4,250	4,447
Disposals	-	(103)	(103)
Charge for the year	44	667	711
At 31 December 2021	241	4,814	5,055
Net book value:			
At 31 December 2021	150	988	1,138
At 1 January 2021	48	1,565	1,613

Notes to the financial statements

at 31 December 2021

14. Right of Use assets

	Land & Buildings £000	*Machinery & Equipment £000*	*Motor Vehicles £000*	*Total £000*
Cost:				
At 1 January 2021 (note 20)	3,989	246	535	4,770
Disposals	-	-	(83)	(83)
Additions	-	292	120	412
At 31 December 2021	3,989	538	572	5,099
Depreciation:				
At 1 January 2021	1,709	157	265	2,131
Disposals	-	-	(79)	(79)
Charge for the year	884	105	163	1,152
At 31 December 2021	2,593	262	349	3,204
Net book value:				
At 31 December 2021	1,396	276	223	1,895
At 1 January 2021	2,280	89	270	2,639

15. Stocks

	2021 £000	*2020 £000*
Work in progress	121	135
Finished goods and goods for resale	4,446	3,425
	4,567	3,560

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 £24,177,904 (2020: £20,775,136).

16. Debtors

	2021 £000	*2020 £000*
Trade debtors	10,688	7,705
Amounts owed by group undertakings	186	5,280
Deferred Tax Asset	-	432
Prepayments and accrued income	201	180
Corporation Tax*	1,012	110
	12,087	13,707

*This is the group relief surrendered, which is a group relief debtor.

Notes to the financial statements

at 31 December 2021

17. Creditors: amounts falling due within one year

	2021	*2020*
	£000	*£000*
Trade creditors	3,368	3,247
Lease Liabilities	859	1,107
Amounts owed to group undertakings	3,320	2,665
Amounts owed to parent	1,805	73
Other taxes and social security costs	219	1,592
Other creditors	2	1
Deferred Tax Liability	1,973	-
Accruals	852	792
	12,398	9,477

18. Issued share capital

		2021		*2020*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	1,420,320	1,420	1,420,320	1,420

19. 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:

	2021	*2020*
	£000	*£000*
Defined Benefit Scheme – Contributions	772	147

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.

During the year the company made a one-off special contribution of £621,000 to the pension scheme to cover the funding strain for the Flexible Retirement Offering (FRO) and Enhanced Transfer Value (ETV) exercises carried out in the previous years.

Notes to the financial statements

at 31 December 2021

19. Pensions (continued)

A full actuarial valuation was carried out as at 6 April 2021 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 £94,275,000 (2018 - £94,490,000) and the actuarial value was sufficient to cover 118% (2018- 113%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2021 a surplus of £9,875,000 (2020 – £2,184,000) has been recognised in respect of the defined benefit pension plan. This was based on a roll forward of the full valuation prepared in April 2021.

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

	2021	*2020*
	£'000	*£'000*
Scheme assets at fair value		
UK equities	1,905	3,764
Overseas equities	5,709	11,409
Emerging market equities	1,836	3,735
Infrastructure	7,677	9,000
Liability Driven Investments	10,405	9,810
Trustees bank balance	16,424	3,791
Multi-asset credit	9,241	9,164
Value of insured annuities	40,779	45,873
Fair value of scheme assets	93,976	96,546
Present value of scheme liabilities	(84,101)	(94,362)
Defined benefit pension plan surplus	9,875	2,184

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

	2021	*2020*
	£'000	*£'000*
Net asset at 1 January	2,184	8,393
Employer contributions received	772	147
Expense recognised in the income statement	(173)	(409)
Re-measurement gain / (loss) in OCI	7,092	(5,947)
Net asset at 31 December	9,875	2,184

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

	2021	*2020*
	£'000	£'000
Recognised in the income statement		
Current service cost	206	179
Past service cost	-	402
Net interest on defined benefit surplus	(33)	(172)
Total expense recognised in the statement of comprehensive income	173	409

Notes to the financial statements

at 31 December 2021

19. Pensions (continued)

	2021 £'000	2020 £'000
Taken to the statement of comprehensive income		
(Losses) / Return on plan assets (excluding amounts included in net interest expense)	(1,155)	5,923
Actuarial gains/ (loss) arising from changes in financial assumptions	3,371	(12,554)
Actuarial gain arising from changes in demographic assumptions	484	354
Actuarial gain arising from changes from scheme experience	4,392	330
Gain / (loss) recognised in the statement of comprehensive income	7,092	(5,947)

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

	2021 £'000	2020 £'000
As at 1 January	94,362	85,606
Current service cost	206	179
Past service cost	-	402
Interest cost	1,114	1,687
Contributions by scheme participants	18	18
Actuarial (gain) / loss arising from changes in financial assumptions	(3,371)	12,554
Actuarial (gain) arising from changes in demographic assumptions	(484)	(354)
Actuarial (gain) arising from changes from scheme experience	(4,392)	(330)
Benefits paid	(3,352)	(5,398)
Defined benefit obligation at 31 December	84,101	94,362

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

	2021 £'000	2020 £'000
As at 1 January	96,546	93,999
Interest income on plan assets	1,147	1,857
Return on scheme assets excluding interest income	(1,155)	5,923
Contributions by employer	772	147
Contributions by employee	18	18
Benefits paid	(3,352)	(5,398)
Fair value of plan assets at 31 December	93,976	96,546

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at 31 December 2021

19. Pensions (continued)

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.

	2021	*2020*
Main assumptions:	%	%
RPI inflation	3.45	2.95
Discount rate	1.80	1.20
Future salary increases	3.45	2.95
Statutory revaluation (CPI inflation)	2.85	2.15
Future pension increases (RPI min 3% p.a., max 5% p.a.)	3.75	3.50
Future pension increases (RPI max 5% p.a.)	3.25	2.90
Mortality before and after retirement – base table	100% S3PMA for Males, 98% S3PFA for Female	
Mortality before and after retirement – future improvements	Year of birth projections with CMI 2020 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 2021	84,101
Discount rate reduced by 0.5% p.a	91,018
Discount rate increased by 0.5% p.a	77,956
Inflation reduced by 0.5% p.a	80,185
Inflation increased by 0.5% p.a	87,804

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 2021. As a result of that valuation on 1st January 2022 employer contributions were raised from 41.1% to 46.2% 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, 2021: £290,711, (2020: £318,000). 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.

Notes to the financial statements

at 31 December 2021

20. Financial liabilities

At 31 December 2021, the company had obligations under leases as set out below:

	2021	*2020*
	£000	*£000*
Present value of lease liabilities	817	1,343
Repayable by instalments:		
in two to five years	732	1,048
in more than five years	85	295
	817	1,343

The total cash outflows for leases for 2021 was £1,180,179, (2020: £1,207,113)

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

Lease Term	*Rate %*
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.