

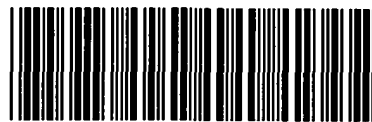
Registered Number: 01029071

# **Hydro Building Systems UK Limited**

## **Annual Report and Financial Statements**

31 December 2022

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## **Strategic Report (continued)**

### **Corporate Information**

#### **Directors**

S Helsen  
S Viner  
H Gomez  
A Barr

#### **Secretary**

S Viner

#### **Auditors**

Crowe UK LLP  
3<sup>rd</sup> Floor  
The Lexicon  
Mount Street  
Manchester  
M2 5NT

#### **Bankers**

ING Belgium  
Avenue Marnix 24 1000  
Bruxelles  
Belgium

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

#### **Registered Office**

5300 Severn Drive  
Tewkesbury  
Gloucestershire  
GL20 8SF

## Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2022.

### 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:

	2022	2021	Change
	£000	£000	%
Turnover	48,342	38,859	24.40%
Loss after tax	(2,492)	(1,700)	61.24%
Shareholder's funds	16,858	16,348	3.10%

During the year under review, turnover has increased by £9,483,000. This was a direct result of the release of all the COVID 19 restrictions, which impacted our customers. During 2022 no restrictions were in place. HBS did see a large bounce back in the market, and the resulting increase in turnover is a result of the market performance and share gain. This was despite all challenges in the marketplace and the economic situation.

During the year under review, it was clear to the business that the UK construction market experienced a significant growth following the past years of restrictions following COVID. All construction sites were operating back to normal levels. For the home improvement market, HBS did see an increase in activity in this sector. Both factors resulted in the increased turnover for the year. The commercial segment of the business was the segment that showed the largest increase during the year.

Cash overdraft balances increased by £4.2m during the year to finish at £5.9m overdrawn. As there is a cash pooling agreement in place, this is shown within amounts owed to Group Undertakings in the balance sheet. The increase 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 £2,492,000 (2021: loss £1,700,000).

The outlook for 2023/24 is very mixed. Early indications are for a depressed market with lower demand. This has been caused by higher interest rates, cost of living issues, and customers becoming more price aware in the current market situation. Some areas of the business have seen growth over and above of what the management team were forecasting. The performance of the business in the first half of 2023 was weaker than the period in 2022 in terms of turnover, however the business has performed much better in terms of margin and EBITDA. The directors' view is that this pattern will continue for the remaining part of 2023. The business fully expects turnover & EBITDA to increase from 2023 levels in the financial year to 31<sup>st</sup> December 2024, in line with the new products being released to the market.

### Significant events during the year

The war in Ukraine has influenced energy costs, for which HBS has seen costs increases, and there have been increases from our own suppliers. We have seen other cost increases impact the business and because of this HBS has had to increase prices in the market. The increase in interest rates has influenced the market which has slowed down. It is expected that the demand will pick up again in Q4 2023.

## Strategic Report (continued)

### Principal risks and uncertainties

The directors continually review and evaluate the risks that are faced by the company. 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.

The Directors have considered the impact of the cost-of-living increases seen in 2022 and 2023 due to high inflation 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 them. 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.

### Climate change and environmental risks

Managing our impact on climate change is key to meeting opportunities and challenges arising from sustainability trends and climate-related policies and regulations, and a key component in Hydro's and HBS UK new strategic direction. In parallel, climate related risks can impact the integrity of our assets.

Hydro has set a net-zero ambition by 2050 or earlier and believes low-carbon aluminium products can play a vital role in reducing Global Greenhouse Gas (GHG) emissions. Hydro's ambition is to reduce the climate impact from our value chain and become a net-zero company in 2050 or earlier. Our net-zero ambitions are based on a successful transition to a 1.5-degree economy, in line with climate science and the Paris agreement. Hydro's climate strategy is an integral part of all the business unit's 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 and society to do the same.

### Net-Zero Hydro

Due to Hydro's ambition is to reach net-zero GHG emissions in 2050 or earlier, and we have established a roadmap to reduce our absolute direct and indirect GHG emissions by 10 percent by 2025 and 30 percent by 2030, based on a 2018 baseline.

To understand the impact of climate change and the implications of the Paris Agreement for the aluminium industry, Hydro has taken part in the International Aluminium Institute's work to develop greenhouse gas pathways toward 2050 consistent with the Paris Agreement. These are in-line with the International Energy Agency's 1.5-degree scenario, combined with IAI's analysis of demand in the aluminium market and material flows. These pathways are integrated in Hydro's strategy; hence Hydro's climate strategy is aligned with climate science.

Climate-driven changes in consumer behaviour, such as substitution of aluminium by other materials is also a risk to Hydro.

## Strategic Report (continued)

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

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.

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

Hydro's 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 customer feedback and subsequent orders have underlined the full 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.

A risk management programme is in place 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 finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and outlines any 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 the transaction with a further exchange gain/loss upon transfer of monies to the UK. The sourcing of certain inventory items are 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***

There is exposure 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.

## Strategic Report (continued)

### *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) which was approved by the relevant EU data protection authorities in May 2018. Hydro has appointed designated data privacy coordinators 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 training was continued during 2022, with specific training requirements for all new starters and follow up training for all employees if required.

### **Code of Conduct**

Hydro's Code of Conduct requires adherence to laws and regulations as well as global directives and procedures. It is systematically implemented and maintained through our compliance system, which is based on a clear governance structure defining roles and responsibilities to manage the relevant compliance risks.

HBS UK has a clear responsibility to act in a compliant manner, while receiving support from Group Compliance and competent staff in other functions to help safeguarding compliance. While the system includes controls and activities to prevent, detect, report and respond to compliance failures, the core focus is on the prevention of non-compliance incidents. In addition to policies, guidelines and procedures, Hydro maintains an extensive training program adapted to the company's risks and profile to continuously build and maintain a strong culture of compliance and integrity.

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.

An integrity culture index was repeated in Hydro's employee engagement survey in 2022. The index looked at 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 an improvement when compared to the 2020 result. This pushed HBS UK further into 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 2022, mandatory training was provided on the topics of anti-corruption, competition law, GDPR, trade sanctions and market regulations. Training was also made available to all employees on an optional basis on subjects related to their job functions. Many employees took up this free training to enhance their knowledge.

### **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 (2023-2028) 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 and the employer of choice in providing ongoing training and development opportunities which support the business needs as well offering a competitive remuneration package. We will further develop our safety systems to maintain a safe working environment for all employees and contractors.
- 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 they receive prompt payment for their 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-to-day working environment in which the company operates, include "Care", "Collaboration" and "Courage". There is an expectation that all employees, at all levels in the Group, "live" these values.

By delivering on these aims the directors believe they will contribute to enhancing the Norsk Hydro's Groups Global reputation in a positive way and deliver an improved financial return to our shareholders.



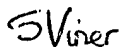
## Strategic Report (continued)

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 22<sup>nd</sup> September 2023 and signed on its behalf by:



S. Viner  
Secretary

Date 22nd September 2023

## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2022.

### **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

### **Results and dividends**

The loss for the year after taxation amounted to £2,492,000 (2021 – Loss £1,700,000). The directors do not recommend a final dividend (2021 – £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 the 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. As with most business, HBS adapted to more flexible communication methods since COVID measures were in place, these communication methods have used online video platforms, so that all

## **Directors' report (continued)**

employees working from home still have access to company communications and can ask questions, which helps to ensure that all employees remain fully engaged.

### **Matters covered in the company strategic report**

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

### **Health and safety at work Act 1974**

It is the company's policy that all possible steps will be 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 2022.

The total amount of CO<sub>2</sub>e emissions were 762.7 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 1,697,395 kWh.

Type of activity	Scope	kWh 2022	Tonnes CO <sub>2</sub> e - FY22	kWh 2021	Tonnes CO <sub>2</sub> e - FY21
Propane	Scope 1	0	0	77,925	17.3
Passenger Vehicles	Scope 1	545,966	71.8	0	0
Gas	Scope 1	463,543	83.4	437,131	80.1
Electricity	Scope 2	687,886	133.0	784,541	166.6
Water	Scope 3		0.1		0.1
Truck fuel	Scope 3		427.9		495.8
Waste	Scope 3		1.4		1.7
Scrap	Scope 3		2.5		3.1
Air Travel	Scope 3		29.0		4.0
Hotel Stays	Scope 3		12.0		5.6
Train Travel	Scope 3		1.3		1.3
Total Gross CO <sub>2</sub> e (tonnes)		1,697,395	762.7	1,299,597	775.6
Carbon Emissions per tonnes of aluminium sold			5.8		5.5

### Efficiency Measures Taken

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

- Completed the conversion of the office lights to LED, saving approximately 4.8T of CO<sub>2</sub>.
- Continued a working from home policy to save visits to the office if not required.
- Have implemented a 'Turn it off' campaign in Q3 and Q4 to reduce energy waste in offices.
- Replaced old and inefficient IT equipment with more energy efficient items, such as iPads and laptops
- Continuing the Hybrid or Electric fleet policy for company cars drivers, along with a restriction on company car CO<sub>2</sub> to be below 50
- Supporting the cost of home electrical charging points for company car drivers
- Continuing to use 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
- Air conditioning replacement programme undertaken that is 20% more efficient.
- Put in place a management of the heating system for the warehouse to reduce heat loss.

In 2023 (and beyond)

- Replaced all forklifts on site to be electric only and more efficient
- Assessing the possibility of installing solar panels with Hydro Rein.

## Directors' report (continued)

### Methodology used

The company has used the UK Government's GHG Conversion factors for reporting 2022 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 Crowe LLP will therefore continue in office.

This report was approved by the board of directors on 22<sup>nd</sup> September 2023 and was signed on its behalf by



S. Viner  
Secretary

Date 22<sup>nd</sup> September 2023

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.

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

### **Opinion**

We have audited the financial statements of Hydro Building Systems UK Limited for the year ended 31 December 2022 which comprise Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 FRS 101 Reduced Disclosure Framework applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

### **Other information**

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, 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.



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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

We identified the greater risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and recognition of income. Our audit procedures to respond to these risks included enquiries about their own identification and assessment of the risks of irregularities, testing a sample of income to supporting documents through to the financial statements, sample testing on the posting of journals, reviewing accounting estimates for biases and reading minutes of meetings of those charged with governance.

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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### Use of our report

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.



*Michael Jayson* (Senior Statutory Auditor)

for and on behalf of Crowe U.K. LLP,

Statutory Auditor

The Lexicon

Mount Street

Manchester

M2 5NT

Date: .....26 September..... 2023

## Income statement

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
<b>Turnover</b>	3	48,342	38,859
Cost of sales		(33,034)	(25,275)
<b>Gross profit</b>		15,308	13,584
Other Operating Income	4	0	8
Distribution costs		(4,027)	(3,690)
Administration Expenses		(14,287)	(12,114)
<b>Operating (Loss)</b>	5	(3,006)	(2,212)
Interest receivable		-	-
Interest payable	8	(264)	(58)
Other finance income – pensions	18	179	33
<b>(Loss) before taxation</b>		(3,091)	(2,237)
Tax on loss	9	599	537
<b>(Loss) for the financial year</b>		(2,492)	(1,700)

All amounts relate to continuing activities.

The notes on pages 21-38 form part of the financial statements.

## Statement of comprehensive income

for the year ended 31 December 2022

		2022 £'000	2021 £'000
(Loss) for the year		(2,492)	(1,700)
Other comprehensive income that will not be reclassified to the income statement:			
Remeasurement on defined benefit scheme gain	17	4,013	7,092
Deferred tax on remeasurement of defined benefit scheme asset	9	(1,011)	(1,940)
<b>Total other comprehensive gain for the year</b>		3,002	5,152
<b>Total comprehensive income for the year</b>		510	3,452

## Statement of changes in equity

### Statement of changes in equity

	<i>Called up Share Capital £'000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £'000</i>
<i>At 1 January 2021</i>	1,420	11,476	12,896
(Loss) for year	-	(1,700)	(1,700)
Other comprehensive gain for the year	-	5,152	5,152
<i>At 1 January 2022</i>	1,420	14,928	16,348
(Loss) for the year	-	(2,492)	(2,492)
Other comprehensive income for the year	-	3,002	3,002
<b>At 31 December 2022</b>	<b>1,420</b>	<b>15,438</b>	<b>16,858</b>

The notes on pages 21-38 form part of the financial statements.

## Statement of financial position

at 31 December 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	963	1,138
Right of Use assets	12	6,501	1,896
		<u>7,464</u>	<u>3,034</u>
<b>Current assets</b>			
Defined benefit pension plan surplus	17	14,019	9,875
Stocks	13	5,903	4,567
Debtors	14	12,882	12,087
		<u>32,804</u>	<u>26,529</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(16,893)</u>	<u>(12,398)</u>
<b>Net current assets</b>		<u>15,911</u>	<u>14,131</u>
<b>Total assets less current liabilities</b>		<u>23,375</u>	<u>17,165</u>
Provision for liabilities and charges	18	(483)	-
Financial liabilities – non-current	19	(6,034)	(817)
<b>Net assets</b>		<u>16,858</u>	<u>16,348</u>
<b>Capital and reserves</b>			
Called up share capital	16	1,420	1,420
Retained earnings		<u>15,438</u>	<u>14,928</u>
<b>Total Equity</b>		<u>16,858</u>	<u>16,348</u>

The notes on pages 21-38 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 22<sup>nd</sup> September 2023

Company Registration Number 1029071

## Notes to the financial statements

at 31 December 2022

### 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 2022 were authorised for issue by the board of directors on 22<sup>nd</sup> September 2023 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 £15,911,000 as at 31 December 2022 and a loss for the year then ended of £2,492,000. 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 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 2022, the company had a creditor balance due to Group of £5.8m and remains in a creditor position at the time of signing these financial statements. The Group provides unrestricted access to funds of up to £7.5m 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 2022

### 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 2022.

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 2022

### 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 2022

### 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) Inventory*

Inventory is 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 inventory.

## Notes to the financial statements

at 31 December 2022

### 2 Accounting policies (continued)

#### *f) Income taxes*

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

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

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

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

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

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

#### *g) Foreign currencies*

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

#### *h) Research and development*

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

#### *i) Provisions for liabilities*

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

#### *j) Pensions*

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

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

## Notes to the financial statements

at 31 December 2022

### 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 2022

### 2 Accounting policies (continued)

#### *(k) 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.

#### *(l) 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:

	2022 £000	2021 £000
United Kingdom	47,406	38,227
Europe	927	603
Rest of World	9	29
	<u>48,342</u>	<u>38,859</u>

### 4. Other Operating Income

	2022 £000	2021 £000
Government Grant	-	8
	<u>-</u>	<u>8</u>

## Notes to the financial statements

at 31 December 2022

### 5. Operating (loss)

This is stated after charging/(crediting):

	2022	2021
	£000	£000
Auditors' remuneration – audit services *	30	33
Depreciation of intangible, tangible fixed and right of use assets	1,997	1,875
Research and development	-	3
Operating lease rentals, less than 1 year: – plant and machinery	180	60
– land and buildings	4	32
Foreign exchange (Loss)	(104)	(97)

\*The auditor also received further remuneration for the audit of these financial statements which was borne by the parent company. For the 2022 financial statements this additional element borne by the group amounted to £Nil (2021: £49,000)

### 6. Directors' remuneration

	2022	2021
	£000	£000
Remuneration	212	110
Company contributions paid to defined contribution pension schemes	17	10
	<u>229</u>	<u>120</u>
<i>In respect of the highest paid director:</i>		
Remuneration	130	110
Pension contributions to the defined contribution pension scheme	12	10
	<u>142</u>	<u>120</u>

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 2022

### 7. Staff costs

	2022	2021
	£000	£000
Wages and salaries	5,152	4,882
Social security costs	579	579
Other pension costs	428	457
Severance and other costs from restructuring activities	-	-
	<u>6,159</u>	<u>5,918</u>

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

	2022	2021
	No.	No.
Production	47	42
Office and administration	87	83
	<u>134</u>	<u>125</u>

### 8. Interest Payable

	2022	2021
	£000	£000
Bank interest	104	3
Interest on lease liabilities	160	55
	<u>264</u>	<u>58</u>

## Notes to the financial statements

at 31 December 2022

### 9. Tax

(a) Tax charged in the income statement

	2022	2021
	£000	£000
<i>Current tax:</i>		
Corporation Tax *	(655)	(1,012)
Adjustment to tax charge in respect of previous years	3	10
Total current tax	(652)	(1,002)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	74	594
Deferred tax rate change	(15)	(119)
Adjustment to tax charge in respect of previous years	(6)	(10)
Total deferred tax (credit)/charge	53	465
<b>Tax (credit) in the income statement</b>	<b>(599)</b>	<b>(537)</b>

\*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% (2021 – 19.0%). The differences are reconciled below:

	2022	2021
	£000	£000
(Loss) on ordinary activities before tax	(3,091)	(2,237)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0 % (2021 – 19.0%)	(587)	(425)
<i>Effects of:</i>		
Expenses not deductible for tax purposes		
Non-Qualifying Depreciation	5	5
Non-deductible expenses.	-	1
Deferred tax rate changes	16	(118)
Adjustment to tax charge in respect of previous years	(33)	-
<b>Total tax (credit) reported in the income statement</b>	<b>(599)</b>	<b>(537)</b>

## Notes to the financial statements

at 31 December 2022

### 9 Tax (continued)

#### (c) Deferred tax

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

	2022	2021
	£000	£000
Decelerated capital allowances	414	457
Short term timing differences	24	39
Employee Benefits	(3,505)	(2,469)
	<u>(3,067)</u>	<u>(1,973)</u>

Movements in the deferred tax account are as follows:

	2022	2021
	£000	£000
At 1 January	(1,973)	432
Credited to income statement in the current year	(74)	(594)
Deferred tax rate change	(16)	119
Adjustment to Deferred tax charge in respect of previous years	5	10
Deferred tax on pension scheme (debited)/credited to other comprehensive income	(1,011)	(1,940)
At 31 December	<u>(3,067)</u>	<u>(1,973)</u>

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 2022

### 10. Intangible assets

	<i>Software Costs £'000</i>	<i>Total £000</i>
Cost:		
At 1 January 2022	303	303
Disposals	(52)	(52)
At 31 December 2022	<u>251</u>	<u>251</u>
Amortisation:		
At 1 January 2022	303	303
Disposals	(52)	(52)
Charge for the year	-	-
At 31 December 2022	<u>251</u>	<u>251</u>
Net book value:		
At 31 December 2022	<u>-</u>	<u>-</u>
At 1 January 2022	<u>-</u>	<u>-</u>

### 11. Tangible fixed assets

	<i>Short-leasehold property £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2022	391	5,804	6,195
Disposals	-	(478)	(478)
Additions	356	105	461
At 31 December 2022	<u>747</u>	<u>5,431</u>	<u>6,178</u>
Depreciation:			
At 1 January 2022	241	4,816	5,057
Disposals	-	(478)	(478)
Charge for the year	82	554	636
At 31 December 2022	<u>323</u>	<u>4,892</u>	<u>5,215</u>
Net book value:			
At 31 December 2022	<u>424</u>	<u>539</u>	<u>963</u>
At 1 January 2022	<u>150</u>	<u>988</u>	<u>1,138</u>

## Notes to the financial statements

at 31 December 2022

### 12. Right of Use assets

	<i>Land &amp; Buildings £000</i>	<i>Machinery &amp; Equipment £000</i>	<i>Motor Vehicles £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2022 (note 20)	3,989	538	573	5,100
Disposals	(403)	(14)	(361)	(778)
Additions	5,674	59	233	5,966
At 31 December 2022	<u>9,260</u>	<u>583</u>	<u>445</u>	<u>10,288</u>
Depreciation:				
At 1 January 2022	2,593	262	349	3,204
Disposals	(403)	(14)	(361)	(778)
Charge for the year	1,145	84	133	1,362
At 31 December 2022	<u>3,335</u>	<u>332</u>	<u>121</u>	<u>3,788</u>
Net book value:				
At 31 December 2022	<u>5,925</u>	<u>251</u>	<u>325</u>	<u>6,501</u>
At 1 January 2022	<u>1,396</u>	<u>276</u>	<u>223</u>	<u>1,895</u>

### 13. Inventory

	<i>2022 £000</i>	<i>2021 £000</i>
Work in progress	181	121
Finished goods and goods for resale	<u>5,722</u>	<u>4,446</u>
	<u>5,903</u>	<u>4,567</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 £31,700,146 (2021: £24,177,904).

### 14. Debtors

	<i>2022 £000</i>	<i>2021 £000</i>
Trade debtors	11,074	10,688
Amounts owed by group undertakings	185	186
Other debtors	650	-
Deferred tax asset	24	-
Prepayments and accrued income	289	201
Corporation tax*	<u>660</u>	<u>1,012</u>
	<u>12,882</u>	<u>12,087</u>

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

## Notes to the financial statements

at 31 December 2022

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

	2022	2021
	£000	£000
Trade creditors	1,910	3,368
Lease liabilities	1,035	859
Amounts owed to group undertakings	2,882	3,320
Amounts owed to parent	5,920	1,805
Other taxes and social security costs	806	219
Other creditors	652	2
Deferred tax liability	3,067	1,973
Accruals	621	852
	<u>16,893</u>	<u>12,398</u>

### 16. Issued share capital

		2022		2021
	No.	£000	No.	£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>

### 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:

	2022	2021
	£000	£000
Defined Benefit Scheme – Contributions	148	772

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 2021 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 2022

### 17 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 2022 a surplus of £14,019,000 (2021 – £9,875,000) 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 2022 are:

	2022 £'000	2021 £'000
Scheme assets at fair value		
UK equities	-	1,905
Overseas equities	-	5,709
Emerging market equities	-	1,836
Fixed interest gilts	4,772	-
Index-linked gilts	5,148	-
Infrastructure	8,482	7,677
Liability Driven Investments	7,975	10,405
Maturing buy and maintain bonds	7,571	-
Trustees bank balance	5,369	16,424
Multi-asset credit	-	9,241
Value of insured annuities	29,230	40,779
Fair value of scheme assets	68,547	93,976
Present value of scheme liabilities	(54,528)	(84,101)
<b>Defined benefit pension plan surplus</b>	<b>14,019</b>	<b>9,875</b>

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

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

	2022 £'000	2021 £'000
Net asset at 1 January	9,875	2,184
Employer contributions received	148	772
Expense recognised in the income statement	(17)	(173)
Re-measurement gain in OCI	4,013	7,092
<b>Net asset at 31 December</b>	<b>14,019</b>	<b>9,875</b>

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

	2022 £'000	2021 £'000
<i>Recognised in the income statement</i>		
Current service cost	196	206
Net interest on defined benefit surplus	(179)	(33)
<b>Total expense recognised in the statement of comprehensive income</b>	<b>17</b>	<b>173</b>

## Notes to the financial statements

at 31 December 2022

### 17 Pensions (continued)

	2022 £'000	2021 £'000
<i>Taken to the statement of comprehensive income</i>		
(Losses) on plan assets (excluding amounts included in net interest expense)	(23,167)	(1,155)
Actuarial gains arising from changes in financial assumptions	30,450	3,371
Actuarial (loss)/gain arising from changes in demographic assumptions	(432)	484
Actuarial (loss)/ gain arising from changes from scheme experience	(2,838)	4,392
Gain recognised in the statement of comprehensive income	<u>4,013</u>	<u>7,092</u>

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

	2022 £'000	2021 £'000
As at 1 January	84,101	94,362
Current service cost	196	206
Interest cost	1,487	1,114
Contributions by scheme participants	16	18
Actuarial (gain) arising from changes in financial assumptions	(30,450)	(3,371)
Actuarial loss/(gain) arising from changes in demographic assumptions	432	(484)
Actuarial (gain) /loss arising from changes from scheme experience	2,838	(4,392)
Benefits paid	(4,092)	(3,352)
<i>Defined benefit obligation at 31 December</i>	<u>54,528</u>	<u>84,101</u>

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

	2022 £'000	2021 £'000
As at 1 January	93,976	96,546
Interest income on plan assets	1,666	1,147
Return on scheme assets excluding interest income	(23,167)	(1,155)
Contributions by employer	148	772
Contributions by employee	16	18
Benefits paid	(4,092)	(3,352)
<i>Fair value of plan assets at 31 December</i>	<u>68,547</u>	<u>93,976</u>

## Notes to the financial statements

at 31 December 2022

### 17 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.

	2022	2021
	%	%
Main assumptions:		
RPI inflation	3.15	3.45
Discount rate	4.85	1.80
Future salary increases	3.15	3.45
Statutory revaluation (CPI inflation)	2.40	2.85
Future pension increases (RPI min 3% p.a., max 5% p.a.)	3.60	3.75
Future pension increases (RPI max 5% p.a.)	3.05	3.25
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 2022	54,528
Discount rate reduced by 0.5% p.a	57,971
Discount rate increased by 0.5% p.a	51,400
Inflation reduced by 0.5% p.a	52,349
Inflation increased by 0.5% p.a	56,570

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 1<sup>st</sup> 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, 2022: £317,413, (2021: £290,711). 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 2022

### 18 Provision for liabilities & charges

At 31 December 2022, the company had a restructuring provision that has since the year end been fully utilized

	2022	2021
	£000	£000
Restructuring provision	483	-

### 18. Financial liabilities

At 31 December 2022, the company had obligations under leases as set out below:

	2022	2021
	£000	£000
Present value of lease liabilities	6,034	817
Repayable by instalments:		
in two to five years	2,859	732
in more than five years	3,175	85
	6,034	817

The total cash outflows for leases for 2022 was £585,204 (2021: £1,180,179)

The lease liability is measured at the lease value discounted at the rates applicable at the time the lease was recognised. Hydro Group issues quarterly discount rates that are applied.

Lease Term	Rate %
1-3 Years	1.79
3-7 Years	2.21
7+ Years	2.78

### 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.