

Registered No. 06249930

Hydro Components UK Limited

Report and Financial Statements

31 December 2017



Directors

C Butler

A Couturier

C Carpenter – Resigned 27th November

S Meeuwussen True – Appointed 27th November

Secretary

C Butler

Auditors

Ernst & Young LLP

Bridgewater Place

Water Lane

Leeds

LS11 5QR

Bankers

Handelsbanken

1142 Regents Court

Gloucester Business Park

Gloucester GL3 4AD

Registered Office

Spinnaker Park

Spinnaker Road

Gloucester GL2 5DG

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2017.

Principal activity and review of the business

The principal activity of the company in the year under review is that of the manufacture of bright trim, aluminium products and roof rails primarily for the automotive industry.

The Company's key financial and other performance indicators during the year were as follows:

	2017	2016	Change
	£000	£000	%
Turnover	60,896	45,056	35%
Operating profit	3,799	5,454	-30%
Profit after tax	2,829	4,048	-30%
Shareholders' funds	14,670	11,841	24%

The company had several new contracts started in 2016 with continued growth in 2017 with automotive companies (including Nissan, Jaguar Land Rover & Mercedes) that have increased the turnover of the business. These contracts have given a stable volume of production to the business which has given a stable performance in terms of profit. Previous years investments in areas such as the anodising line and paint line have also contributed to the profit as previously these areas have been subcontracted out at a much higher cost.

A new site was opened in 2017 to support increase of the business with a new contract from LEVC. There was limited production from this site but it resulted in an increase of costs associated with running an additional plant. The plant is expected to generate a profit in 2018.

The company's objectives are to achieve growth and returns in line with the expectations of its shareholders. This is to be achieved by a combination of building a competitive product range for automotive customers produced at a competitive price using unique in-house capabilities and further development in new techniques and technologies.

Principal risks and uncertainties

The company is disproportionately reliant upon the automotive industry for the majority of its business. A range of products has been developed and a wide spectrum of customers within the automotive industry are supplied.

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. The company does not use derivative financial instruments to manage interest costs and as such, no hedge accounting is applied.

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

Price risk

The company is exposed to commodity price risk as a result of its operations. One major commodity is aluminium. The risk for this is minimised by LME clauses within the customer contracts.

Strategic report (continued)

Principal risks and uncertainties (continued)

For other commodity risks however, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Each customer has a credit limit which is periodically reviewed.

Liquidity risk

The company maintains a mixture of long-term and short-term financing that is designed to ensure the company has sufficient available funds for operations and planned expansions.

On behalf of the Board:



Claire Butler

Director

Date

29/6/18

Registered No. 06249930

Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year after taxation amounted to £2,829,000 (2016 – profit of £4,048,000). The directors do not recommend a final dividend (2017 – £nil).

Future developments

During 2017 Orkla continued with their strategic plan to make one company, retain current business, realize synergies and improved margins.

Further development of the newly reopened site Bedwas in South Wales will continue with planned improvements to the site and the anodising line to support the growth of the LEVC TX5 vehicle.

Further investment in polishing and CNC machines are ongoing as new launches for Mercedes, Daimler and Volvo products in 2018.

Training and development

The company continues to invest in training and development of its employees in terms of relevant job training and health and safety.

Research and development

The company has maintained its commitment in the area of research and development. Continuity of investment in this area is essential for the company to retain a competitive position in the market.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, the exposure to price, credit and liquidity risk are described in the business review on pages 2 and 3.

The company is part of the Hydro group which has considerable financial resources together with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Directors

The directors who served the company during the year and up to the date of approval of this report and financial statements were as follows:

A Couturier

C Carpenter (resigned 27th November 2017)

C Butler

S True (appointed 27th November 2017)

Disabled employees

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

Directors' report (continued)

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular formal and informal briefings.

Health and Safety at Work Act 1974

It is company's policy that all possible steps will be taken at all times to ensure the health and safety of persons and to prevent damage to the company's property. In accordance with the Act, a comprehensive policy statement together with health and safety rules has been issued within the company to all employees.

Disclosure of information to the auditors

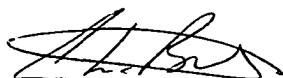
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP have resigned as our auditors.

A resolution to appoint KPMG as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Claire Butler
Director

Date: 24/6/13

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law) including Financial Reporting Standard 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Hydro Components UK Limited

Opinion

We have audited the financial statements of Hydro Components UK Ltd for the year ended 31st December 2017 which comprise Statement of comprehensive income, Balance sheet, Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS101 (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditors' report (continued)

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 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 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, 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.

A further description of our responsibilities for the audit of the financial statements is located on the

Independent auditors' report (continued)

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Handwritten signature of Peter Buckler in black ink.

Peter Buckler (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

2nd July 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	4	60,896	45,056
Cost of sales		(42,977)	(30,027)
Gross profit		17,919	15,029
Other income		560	-
Distribution costs		(3,799)	(1,745)
Administrative expenses		(10,880)	(7,830)
Operating profit	5	3,800	5,454
Interest payable and similar charges	8	(306)	(415)
Profit on ordinary activities before taxation		3,494	5,039
Tax	9	(665)	(991)
Profit for the financial year and total comprehensive income, net of tax		2,829	4,048

All amounts relate to continuing activities.

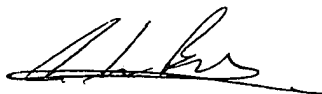
The notes on pages 13 to 23 form part of the financial statements.

Balance sheet

at 31 December 2017

		2017	2016
	Notes	£000	£000
Fixed assets			
Intangible assets	10	1,462	1,462
Tangible assets	11	13,661	10,396
		<u>15,123</u>	<u>11,858</u>
Current assets			
Stocks	12	4,444	2,834
Debtors	13	17,931	13,809
Cash at bank and in hand		0	1,236
		<u>22,375</u>	<u>17,879</u>
Creditors: amounts falling due within one year	14	<u>(15,637)</u>	<u>(10,770)</u>
Net current assets		<u>6,738</u>	<u>7,109</u>
Total assets less current liabilities		21,861	18,967
Creditors: amounts falling due after more than one year	15	(6,951)	(7,037)
Deferred tax liability	9	(240)	(89)
Net assets		<u>14,670</u>	<u>11,841</u>
Capital and reserves			
Called up share capital	16	1	1
Share premium	16	444	444
Capital contribution	16	6,346	6,346
Retained earnings	16	7,879	5,050
Shareholders' funds		<u>14,670</u>	<u>11,841</u>

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



Claire Butler

Director

Date

29/6/18

Statement of changes in equity

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Capital contribution £000</i>	<i>Retained earnings £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2016	1	444	6,346	1,002	7,793
Profit for the year	-	-	-	4,048	4,048
At 1 January 2017	1	444	6,346	5,050	11,841
Profit for the year	-	-	-	2,829	2,829
At 31 December 2017	1	444	6,346	7,879	14,670

Notes to the financial statements

at 31 December 2017

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

The financial statements of Hydro Components UK Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 29 June 2018 and the balance sheet was signed on the board's behalf by Claire Butler.

Hydro Components UK Limited is a limited company incorporate and domiciled in England and Wales. The registered office address is Spinnaker Park, Spinnaker Road, Gloucester, GL2 5DG. 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 has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary whose results are included in the consolidated accounts of Hydro AS, a company incorporated in Norway. Therefore, the accounts present information about the company as an individual undertaking and not about its group.

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

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

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Certain comparative amounts have been reclassified to conform with the current year presentation. There has been no profit impact.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79 (a)(iv) of IAS 1;
 - (ii) paragraph 73 (e) of IAS 16 Property, Plant and Equipment;
- (d) the requirements of paragraphs 10 (d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows. The company is exempt from preparing a cash flow statement as a group cash flow statement is prepared by its parent company, Hydro AS.
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of paragraphs 134 (d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets

Notes to the financial statements (continued)

at 31 December 2017

Goodwill

Goodwill is initially measured at cost being the excess of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The impact of applying this override is a reduction of £292K in amortisation expenses per year.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives at the following rates:

Freehold property	–	2% per annum
Plant and equipment	–	6%-50% per annum
Office equipment and fittings	–	10%-50% per annum

Freehold land is not depreciated.

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.

Turnover

Revenue 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 discounts, rebates, value added tax and other sales taxes.

Revenue 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.

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.

Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Pensions

The company pension arrangements are supplied through a Stakeholder scheme set up with Legal and General or Standard Life where the individual employee has a contract with Legal and General or Standard Life and both employee and employer contributions are credited each month.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements (continued)

at 31 December 2017

2. Accounting policies (continued)

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 balance sheet date.

Deferred tax is recognised, without discounting, in respect of temporary differences between the treatment of certain items for taxation and accounting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Foreign currencies

Transactions in foreign currencies are initially recorded in Sterling by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences arising on translation are taken to the statement of comprehensive income.

Leases

Operating leases

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

Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. When this occurs, the asset is recorded in the balance sheet as a tangible fixed asset and as a liability to pay future lease payments is recognised in creditors at net present value. The asset is depreciated through the income statement on a straight-line basis over its estimated useful life. Finance lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

3. Judgements and key sources of estimation uncertainty

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

The following is the company's key source of estimation uncertainty:

Estimation techniques – prototype costing

In the launch phase of a project, prototypes are manufactured and sold to the customer at a higher than normal production price. Revenue is recognised as the performance obligations are discharged. Costs are estimated at approximately 50% of sales price as there is a timing delay between recognising the sale and receiving the cost.

Notes to the financial statements (continued)

at 31 December 2017

4. Turnover

Turnover is attributable to the company's principal activity.

An analysis of turnover by geographical market is given below:

	2017 £000	2016 £000
United Kingdom	44,193	34,761
Europe	16,703	10,295
	<u>60,896</u>	<u>45,056</u>

5. Operating profit

This is stated after charging:

	2017 £000	2016 £000
Auditors' remuneration – audit services	66	43
Depreciation of owned fixed assets	1,248	550
Depreciation of fixed assets under finance leases	108	117
Operating lease payments – plant and machinery	99	99
Other hire of plant and equipment	333	280
Foreign exchange differences	175	11
Write-down of stocks to net realisable value	(16)	24

6. Directors' remuneration

	2017 £000	2016 £000
Remuneration	340	317
Pension contributions	14	12
	<u>354</u>	<u>329</u>
Highest paid director		
Remuneration	227	214
Pension contributions	7	5
	<u>234</u>	<u>219</u>

Notes to the financial statements (continued)

at 31 December 2017

7. Staff costs – Including Directors remuneration

	2017	2016
	£000	£000
Wages and salaries	8,423	7,081
Social security costs	884	714
Other pension costs	409	306
	<u>9,716</u>	<u>8,101</u>

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

	No.	No.
Production	168	153
Office and administration	104	88
	<u>272</u>	<u>241</u>

8. Interest payable and similar charges

	2017	2016
	£000	£000
Interest Payable on Intercompany Loans	235	423
Interest Payable to bank	71	(8)
	<u>306</u>	<u>415</u>

9. Tax charge per accounts

(a) Analysis of tax charge for the period

The tax charge is made up as follows:

	2017	2016
	£000	£000
Current tax:		
UK Corporation tax at 19.25% (2016: 20%)	514	458
Group relief payable	-	319
Adjustments in respect of prior periods	-	-
Total current tax charge	<u>514</u>	<u>777</u>
Deferred tax:		
Origination and reversal of temporary differences	151	207
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	7
Total deferred tax charge	<u>151</u>	<u>214</u>
Tax on profit on ordinary activities	<u>665</u>	<u>991</u>

Notes to the financial statements (continued)

at 31 December 2017

9. Tax charge per accounts (continued)

The tax expense in the statement of comprehensive income for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%). The differences are reconciled below:

	2017 £000	2016 £000
Reconciliation of tax charge		
Profit on ordinary activities before tax	3,494	5,039
Tax on profit on ordinary activities at standard corporate tax rate of 19.25% (2016-20.00%)	672	1,008
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13	13
Effect of changes in tax rates	(20)	(30)
Adjustments in respect of previous periods	-	-
Tax charge for the period	665	991

(a) Deferred tax (liability)/asset

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

	2017 £000	2016 £000
Accelerated capital allowances	(240)	(89)
Movements in (liability)/asset:		
		£000
At 1 January 2017		89
Deferred tax charged in the income statement for the year		151
At 31 December 2017		240

(c) Factors that may affect future tax charges

From 1 April 2017 the corporation tax rate was 19%. The Finance Act (No.2) 2016 was substantively enacted after the year end and includes a reduction in the main rate of corporation tax for the years starting the 1 April 2017, 2018 and 2019. On 16 March 2016 the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% from 1 April 2020; this change has been substantively enacted. Deferred tax has been recognised at the rate which will prevail in the period where the timing differences are expected to reverse.

Notes to the financial statements (continued)

at 31 December 2017

10. Intangible fixed assets

Goodwill
£000

Cost and net book value:

At 1 January 2017 and 31 December 2017

1,462

During 2017, the directors reviewed the carrying value of the intangible fixed assets. The directors do not believe that an impairment is required in the financial statements at 31 December 2017 and conclude that no indicators of impairment exist.

11. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant, machinery and tools</i>	<i>Fitures, fittings and equipment</i>	<i>Finance lease assets</i>	<i>Motor Vehicles</i>	<i>Cost in Construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:							
At 1 January 2017	3,306	8,902	416	960	-	3,248	16,832
Additions	-	3,292	-	-	123	1,206	4,621
Transfer	-	2,515	-	-	-	(2,515)	-
At 31 December 2017	3,306	14,709	416	960	123	1,939	21,453
Depreciation:							
At 1 January 2017	571	4,783	416	666	-	-	6,436
Charge for the year	61	1,166	-	108	21	-	1,356
At 31 December 2017	632	5,949	416	774	21	-	7,792
Net book value:							
At 31 December 2017	2,674	8,760	-	186	102	1,939	13,661
At 1 January 2017	2,735	4,119	-	294	-	3,248	10,396

Assets under construction

The Cost in Construction amount for the Company at 31 December 2017 relates to expenditure for plant and machinery which has not yet been commissioned.

Notes to the financial statements (continued)

at 31 December 2017

12. Stocks

	2017	2016
	£000	£000
Raw materials and consumables	2,529	1,447
Work in progress	1,138	773
Finished goods	777	614
	<u>4,444</u>	<u>2,834</u>

During the year the amount of stock recognised as an expense in the income statement was £42,977,090 (2016: £29,936,000).

13. Debtors

	2017	2016
	£000	£000
Trade debtors	11,944	9,010
Amounts owed by group undertakings	318	171
Group cash pool	169	814
Prepayments and accrued income	308	80
Deferred tax asset	-	-
Other debtors	5,192	3,734
	<u>17,931</u>	<u>13,809</u>

14. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Overdraft	334	-
Trade creditors	6,967	4,730
Amounts owed to group undertakings	2,660	1,569
Corporation Tax	514	458
Other taxes and social security costs	274	187
Other creditors	366	413
Accruals	4,436	3,327
Finance leases	86	86
	<u>15,637</u>	<u>10,770</u>

Notes to the financial statements (continued)

at 31 December 2017

15. Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
Finance leases	70	156
Amounts owed to group undertakings	6,881	6,881
	<u>6,951</u>	<u>7,037</u>

Amounts owed to group undertakings are unsecured, and accrue interest at the group borrowings rate, which is 1% over 3 months LIBOR.

16. Issued share capital and reserves

		2017		2016
<i>Allotted, called up and fully paid</i>	<i>No.</i>	£000	<i>No.</i>	£000
Ordinary shares of £1 each	1,000	<u>1</u>	1,000	<u>1</u>

Share premium reserve contains the premium in excess of par value arising on the issue of share capital, net of issue expenses.

Capital contribution reserve contains the capital contributions received from shareholder without a formal allocation of shares.

Retained earnings represents the cumulative profit and loss attributable to the Company to the end of the year.

Notes to the financial statements (continued)

at 31 December 2017

17. Other financial commitments

At 31 December 2017 the company had commitments due under non-cancellable operating leases and finance lease arrangements as set out below:

	2017		2016	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
<i>Future minimum lease payments due under non-cancellable operating leases:</i>				
Payable within one year	333	71	280	91
In two to five years	282	35	535	80
	<u>615</u>	<u>106</u>	<u>815</u>	<u>171</u>

	2017	2016
	£000	£000
<i>Future minimum lease payments due under finance leases:</i>		
Not later than one year	106	106
After one year but not more than five years	85	191
	<u>191</u>	<u>297</u>
Less finance charges allocated to future periods	(35)	(55)
Present value of minimum lease payments	<u>156</u>	<u>242</u>

The present value of minimum finance lease payments is analysed as follows:

Not later than one year	86	86
After one year but not more than five years	70	156
	<u>156</u>	<u>242</u>

Notes to the financial statements (continued)

at 31 December 2017

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Hydro Aluminium Holdings UK Ltd. The smallest and largest group of which the company is a member and which prepares group financial statements including the company is that headed by Hydro AS, a company incorporated in Sweden. Copies of Hydro AS's financial statements may be obtained from Corporate Communications, Hydro AB, Box 5505, SE114 85 Stockholm, Sweden. At 31 December 2016, Hydro AS was jointly controlled by Orkla ASA and Norsk Hydro ASA, both being companies incorporated in Norway.

As of 10 July 2017, Norsk Hydro ASA announced that, subject to regulatory approval it would buy the 50% holding from Orkla ASA, and became the sole owner of the company. Regulatory approval was obtained on 26 September 2017.