

Registered number: 00961843

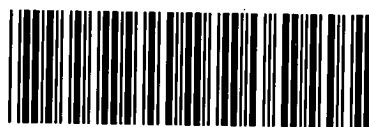
Hydro Extrusion UK Limited

(Formerly known as SAPA Profiles UK Ltd)

Report and Financial Statements

31 December 2017

WEDNESDAY



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08/08/2018

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COMPANIES HOUSE

Directors

A R G Couturier
P M Paigua
R C Ablett

Secretary

R C Ablett

Auditors

Ernst & Young LLP
Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Commerzbank
30 Gresham Street
London EC2P 2XY

Solicitors

Shoosmiths LLP
Waterfront House
Waterfront Plaza
35 Station Street
Nottingham
NG2 3DQ

Registered Office

Saw Pit Lane
Tibshelf
Alfreton
Derby DE55 5NH

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 company's principal activity is the manufacture and supply of extrusion profiles in the UK and Ireland; it also provides added value activities of anodising, painting, and fabricating aluminium.

As shown in the company's Statement of Comprehensive Income on page 10, the company's sales have increased by £23.9m (+17.8%) against the prior year. The increase in sales is partly attributed to increased volumes but mainly due to the increase in the selling price following LME material price increases

In absolute terms there is an increase in Gross profit of by £1.7 m although there is a dilutionary impact on gross margin % due to the relative increase of LME material price when compared to the significant increase in Turnover. Operating profit increased in 2017 by £0.1m to a profit of £4.9m.

Significant events during the year

On 10 July 2017, Norsk Hydro ASA (Hydro) announced that, subject to regulatory approval, it would buy Orkla ASA's 50% share of Hydro Extruded Solutions AS (formerly Sapa AS) (Sapa), and become the sole owner of the Sapa business. On 22 September 2017, Hydro and Orkla issued a press release that regulatory approval had now been obtained and closure of the transaction occurred on 2 October 2017. Both parties agree that this is the best way forward to continue to develop Sapa and its strong position in the market. Sapa will be integrated as a separate business area within Hydro, called Extruded Solutions.

On 1 December 2017, following the ownership change on 2 October 2017, the company changed its name from Sapa Profiles UK Ltd to Hydro Extrusion UK Ltd

Post Balance Sheet Event

On 5 June 2018 the company received a sum of £3,208,693 as proceeds under an insurance claim relating to an underperforming contract in relation to costs taken in 2015. The claim process was initiated prior to the balance sheet date, but was not highly certain at 31 December 2017. Therefore, the Company considers that this sum does not meet the criteria to be recognised as an asset in the balance sheet presented and as such, this is a non-adjusting event requiring disclosure only.

Principal risks and uncertainties

The directors continually review and evaluate the risks that the company is facing.

The company's operations expose it to a variety of financial risks that include the effects of changes in price, credit, liquidity and cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring and taking steps to manage the factors that contribute to such risks. 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.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Strategic report (continued)

Cash flow risk

The company is exposed to risks associated with changes in foreign exchange rates. These risks are monitored on an ongoing basis. The company has hedging arrangements in place with Hydro Extruded Solutions AS in order to mitigate this risk.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The company's financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Price risk

The company is exposed to commodity price risk as a result of its operations. Contracts for the purchase of aluminium billet are arranged with suppliers, and the company calls off its raw material requirements in accordance with these contracts.

This report was approved by the board on²⁵ July 2018 and signed on its behalf by:



R C Ablett

Director

:

Registered No. 961843

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 £5,148,000 (2016 - £6,425,000). The directors do not recommend a final dividend (2016 – £nil).

Future developments

The company continues to invest in people, equipment and systems in order to provide our customers with the highest level of customer service. Our added value capability enables us to work closer with customers to provide solutions rather than just aluminium profiles.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, liquidity and cash flow risk are described in the strategic report.

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

After making enquiries the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

D J Williams	(Resigned 26/6/17)
S M Meeuwissen-True	(Resigned 11/6/18)
A R G Couturier	
Y Beck	(Resigned 26/5/17)
A Gilroy	(Appointed 1/10/2016, resigned 26/5/17)
P M Paiagua	(Appointed 26/5/17)
R C Ablett	(Appointed 26/5/17)

Environment

The company takes its environmental responsibilities very seriously and endeavours to identify, monitor and manage the impact of its activities on the environment. The company operates an Environmental Management System which complies with the requirements of BS EN ISO 14001 2004.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors' report (continued)

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through regular newsletters in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

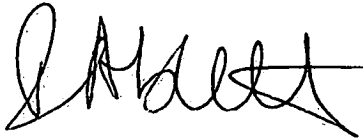
Disclosure of information to the auditors

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 directors 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 are not seeking reappointment as auditors for the next reporting period

This report was approved by the board of directors on²⁵ July 2018 and was signed on its behalf by



R C Ablett

Director

Date: 25-JUL-2018.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101. 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 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 Extrusion UK Limited

Opinion

We have audited the financial statements of Hydro Extrusion UK Limited for the year ended 31 December 2017 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 21, 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 including FRS 101 "Reduced Disclosure Framework" (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 31 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.

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 set out 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

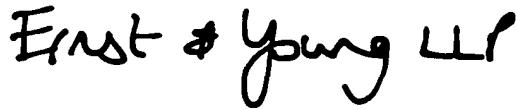
material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



Peter Buckler (Senior statutory auditor)

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

Leeds

25th July 2015

Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	3	158,089	134,219
Cost of sales		<u>(129,629)</u>	<u>(107,445)</u>
Gross profit		28,460	26,774
Distribution costs		(4,710)	(4,117)
Administrative expenses		(18,887)	(17,928)
Other operating expense		-	-
Operating profit	4	4,863	4,729
Interest receivable and similar income	7	1,236	1,512
Interest payable	8	<u>(63)</u>	<u>(53)</u>
Profit on ordinary activities before taxation		6,036	6,188
Tax expense/(credit)	9	<u>(888)</u>	<u>237</u>
Profit for the financial year		5,148	6,425
<i>Other comprehensive income net of tax:</i>			
Actuarial gain on pension scheme	18	16,978	5,057
Deferred tax write-back on pension surplus	9	7,773	(464)
Authorised surplus payment charge	18	<u>(22,192)</u>	<u>-</u>
Total comprehensive income for the year, net of tax		<u>7,707</u>	<u>11,018</u>

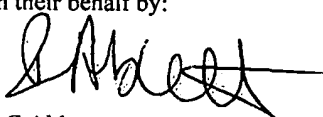
All amounts relate to continuing activities.

Statement of Financial Position

at 31 December 2017

	Notes	2017 £000	2016 £000
Non-Current assets			
Intangible assets	10	6,472	6,472
Tangible assets	11	24,574	23,711
Investment in subsidiary undertaking	12	-	-
Defined benefit pension scheme surplus	18	41,214	45,726
		<u>72,260</u>	<u>75,909</u>
Current assets			
Stocks	13	13,243	13,067
Debtors	14	30,185	29,486
Cash at bank and in hand		17,911	18,025
		<u>61,339</u>	<u>60,578</u>
Creditors: amounts falling due within one year	15	(28,693)	(30,633)
Net current assets		<u>32,646</u>	<u>29,945</u>
Total assets less current liabilities		104,906	105,854
Provisions for liabilities and charges	16	-	(8,655)
Net assets		<u>104,906</u>	<u>97,199</u>
Capital and reserves			
Called up share capital	17	99,256	99,256
Capital contribution	18	20,763	20,763
Profit and loss account		(15,113)	(22,820)
Shareholders' funds		<u>104,906</u>	<u>97,199</u>

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



R C Ablett

Director

Date: 25-JUL-2018.

Statement of changes in equity

for the year ended 31 December 2017

	<i>Called up Share capital £000</i>	<i>Capital contribution £000</i>	<i>Retained earnings £000</i>	<i>Total Equity £000</i>
At 1 January 2016	99,256	20,763	(33,838)	86,181
Total other comprehensive income:				
Actuarial gain on pension scheme	-	-	5,057	5,057
Deferred tax on actuarial gain	-	-	(464)	(464)
Profit for the year	-	-	6,425	6,425
At 31 December 2016	99,256	20,763	(22,820)	97,199
At 1 January 2017	99,256	20,763	(22,820)	97,199
Total other comprehensive income:				
Actuarial gain on pension scheme	-	-	16,978	16,978
Deferred tax write-back on pension surplus	-	-	7,773	7,773
Authorised surplus payment charge	-	-	(22,192)	(22,192)
Profit for the year	-	-	5,148	5,148
At 31 December 2017	99,256	20,763	(15,113)	104,906

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 Extrusion UK Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on the date shown on the balance sheet, which was signed on the board's behalf by Roger Ablett. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention, as modified by the valuation at fair value of certain financial assets.

Hydro Extrusion UK Limited is incorporated and domiciled in England and Wales. The address of the registered office is Saw Pit Lane, Tibshelf, Alfreton, Derby, DE55 5NH. 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.

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

2. Accounting policies

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 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 ultimate parent company, Sapa 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

at 31 December 2017

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which are the most critical to these financial statements are those relating to actuarial assumptions applied in valuing the pension scheme assets and liabilities, the recognition of deferred tax assets and the evaluation of onerous contracts.

Significant accounting policies

A summary of the most important of these policies is set out below.

Revenue recognition

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and profit for the financial year is derived from the extruding, anodising, painting and fabricating of aluminium. Revenue is recognised on despatch of goods or supply of services to the customer, which is the point at which the risks and rewards transfer.

Other operating income

Other operating income consists of the sales, scrap sales and rental income. The revenue is recognised on the provision of goods and services.

Intangible fixed assets

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business combinations goodwill is not amortised. 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 £501,000 in the amortisation expense per year.

Goodwill is initially measured at cost being the excess of the aggregate 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and provision for impairment.

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

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold land	– nil
Freehold buildings	– 4% per annum
Plant and equipment	– 10% to 25% per annum
Office equipment	– 10% to 25% per annum

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.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Current income taxation

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 statement of comprehensive income.

Deferred taxation

Deferred taxation is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax balances are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Derivative financial instruments and financial assets at fair value through profit or loss

The company uses forward commodity derivative contracts to reduce exposure to fluctuations in the price of aluminium. Derivative financial instruments are initially measured at fair value on the day on which the derivative contract is entered into and subsequently measured at fair value through profit or loss.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward commodity derivative contracts is calculated by reference to current commodity contracts with similar maturity profiles.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Pensions

The company participates in the Sapa 1988 Pension Scheme which is a defined benefit scheme.

The cost of providing benefits under the scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the statement of comprehensive income as the related expenditure is incurred.

Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

3. Turnover

Turnover originates solely in the United Kingdom. An analysis of turnover by geographical destination is given below:

	2017 £000	2016 £000
United Kingdom	149,907	130,630
Europe	8,143	3,582
Rest of the world	39	7
	<u>158,089</u>	<u>134,219</u>

All turnover activity related to the sale of goods (2016 - same).

Notes to the financial statements

at 31 December 2017

4. Operating Profit

This is stated after charging/(crediting):

	2017 £000	2016 £000
Auditor's remuneration – audit of these financial statements	45	54
Depreciation – owned assets	2,253	2,202
Foreign exchange gain	77	158
Foreign exchange gain on forward commodity contracts	202	(399)
Government grant income	-	-
Rentals under operating leases – hire of plant and machinery	584	591

5. Directors' remuneration

	2017 £000	2016 £000
Remuneration	368	381
Compensation for loss of office	0	100
Pension contributions	12	16
	380	497
<i>Remuneration of the highest paid director</i>	<i>2017 £000</i>	<i>2016 £000</i>
Remuneration	142	229
Compensation for loss of office	-	-
Pension contributions	7	9
	149	238

The number of directors who are members of a defined benefit scheme is nil, (2016 – nil).

6. Staff costs

	2017 £000	2016 £000
Wages and salaries	20,132	17,034
Social security costs	2,051	1,653
Pension costs (note 18)	1,233	1,052
	23,416	19,739

Notes to the financial statements

at 31 December 2017

6. Staff costs (continued)

The average monthly number of employees (including directors) during the year was made up as follows:

	2017 No.	2016 No.
Production	442	401
Sales and distribution	44	78
Administration	69	61
	<u>555</u>	<u>540</u>

7. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest	-	1
Loan interest- Sapa AB	-	6
Net interest on defined benefit surplus	<u>1,236</u>	<u>1,505</u>
	<u>1,236</u>	<u>1,512</u>

8. Interest Payable

	2017 £000	2016 £000
Bank interest	<u>63</u>	<u>53</u>

9. Tax

(a) Tax charged in the statement of comprehensive income:

	2017 £000	2016 £000
Current tax:		
Current tax for the year at 19.25% (2016 – 20%)	194	-
Amounts overprovided in previous years	<u>-</u>	<u>(73)</u>
Total current tax	194	(471)
Deferred tax:		
Adjustment in respect of defined benefit pension plan	-	187
Origination and reversal of timing differences	<u>694</u>	<u>(351)</u>
Total tax expense/(credit) reported in the statement of comprehensive income	<u>888</u>	<u>(237)</u>

Notes to the financial statements

at 31 December 2017

9. Tax (continued)

(b) Tax included in the statement of other comprehensive income:

	2017	2016
	£'000	£'000
Deferred tax in respect of the defined benefit pension plan	7,773	(464)
Total tax credit/(charge)	<u>7,773</u>	<u>(464)</u>

(c) Reconciliation of total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained below:

	2017	2016
	£000	£000
Profit on ordinary activities before tax	<u>6,036</u>	<u>6,188</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	1,161	1,238
<i>Effects of:</i>		
Amounts credited to equity	7,773	1,011
Tax charged to equity	-	(464)
Expenses not deductible for tax purposes	127	143
Tax overprovided in previous years	-	(73)
Movement in deferred tax not recognised	(7,664)	(1,898)
Effect of change in tax rate	<u>(509)</u>	<u>(194)</u>
Tax on profit on ordinary activities	<u>888</u>	<u>(237)</u>

Notes to the financial statements

at 31 December 2017

9. Tax (continued)

(d) The deferred tax included in the statement of financial position is as follows:

	<i>Trading losses & other temporary differences</i>	<i>Pension</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2017	2,918	(7,773)	(4,855)
Amounts credited to other comprehensive income	-	7,773	7,773
Current year charge to the income statement	(694)	-	(694)
At 31 December 2017	<u>2,224</u>	<u>-</u>	<u>2,224</u>

The deferred tax liability in respect of the pension scheme surplus has been fully reversed and replaced by a 35% tax charge on the surplus, referred to as an "authorised surplus payment charge". An amount of £22,192,000 has been charged to other comprehensive income and deducted from the defined benefit pension plan surplus in note 18.

Deferred taxation assets relating to carried forward trading losses and other temporary differences of £4,773,000 (2016 – £5,030,000) have not been accounted for on the basis of uncertainty regarding their recoverability.

(e) Factors that may affect future tax charges

From 1 April 2015, the corporation tax rate was 20%. The Finance Act (No.2) 2015 introduced a reduction in the main rate of corporation tax to 19% from 1 April 2017. 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.

10. Intangible fixed assets

	<i>Goodwill</i>
	<i>£000</i>
Cost:	
At 1 January 2017 and at 31 December 2017	<u>6,472</u>

The goodwill value of £6,472,000 is supported by a discounted cash flow forecast for the next 5 years. A terminal growth rate of 2% has been used for the period beyond the next 5 years and a discount rate of 10% has been applied to the cash flows which is in line with the group cost of capital.

Notes to the financial statements

at 31 December 2017

11. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant and equipment £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2017	24,781	56,832	2,104	83,717
Additions	-	3,073	73	3,146
Disposals	-	(12,048)	(923)	(12,982)
At 31 December 2017	24,781	47,857	1,243	73,881
Accumulated depreciation:				
At 1 January 2017	11,510	46,405	2,091	60,006
Provision for depreciation	577	1,627	49	2,253
Disposals	-	(12,029)	(923)	(12,952)
At 31 December 2017	12,087	36,003	1,217	49,307
Net book value:				
At 31 December 2017	12,694	11,854	26	24,574
At 1 January 2017	13,271	10,427	13	23,711

The cost of land included with freehold land and buildings which is not being depreciated is £562,000 (2016 - £562,000)

12. Investment in subsidiary undertaking

The company's subsidiary undertaking during the year was:

<i>Company</i>	<i>Country of registration</i>	<i>Nature of business</i>	<i>Percentage of ordinary shares held</i>
Holden Aluminium Technologies Limited	England and Wales	Dormant	100%

Holden Aluminium Technologies Limited was dissolved on 4 April 2017. The registered office of Holden Aluminium Technologies Limited was Sawpit Lane, Tibshelf, Alfreton, Derbyshire, DE55 5NH.

Notes to the financial statements

at 31 December 2017

13. Stocks

	2017	2016
	£000	£000
Raw materials and consumables	9,711	9,405
Work-in-progress	813	1,072
Finished goods	2,719	2,590
	<u>13,243</u>	<u>13,067</u>

Total inventory expensed through the statement of comprehensive income for 2017 is £95,719 (2016 - £71,882,000)

14. Debtors

	2017	2016
	£000	£000
Trade debtors	22,333	22,837
Amounts owed by group undertakings	4,330	5,595
Other debtors	104	-
Other financial assets	947	859
Prepayments and accrued income	247	195
Deferred tax (note 9(d))	2,224	-
	<u>30,185</u>	<u>29,486</u>

Other financial assets represent the fair value of forward commodity derivative contracts. – see note 20 for further information.

Notes to the financial statements

at 31 December 2017

15. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	17,570	21,987
Amounts owed to group undertakings	5,478	3,390
Other taxes and social security costs	679	1,605
Other financial liabilities	502	137
Accruals and deferred income	4,464	3,514
	<u>28,693</u>	<u>30,633</u>

The company has access to a group overdraft facility which is repayable on demand. There were no amounts owed to group undertakings at the year-end by the company in connection with this facility (2016 – £nil).

Other financial liabilities represent the fair value of forward commodity derivative contracts – see note 20 for further information.

16. Provisions for liabilities

	<i>Restructuring provision</i>	<i>Onerous contract provision</i>	<i>Deferred tax liability</i>	<i>Total provision</i>
	£000	£000	£000	£000
At 1 January 2017	-	3,800	4,855	8,655
Created during the year	-	-	-	-
Amounts credited to other comprehensive income	-	-	(7,773)	(7,773)
Amounts charged to income statement	-	(3,800)	694	(3,106)
At 31 December 2017	<u>-</u>	<u>-</u>	<u>(2,224)</u>	<u>(2,224)</u>

A provision that was made for an onerous contract in 2016, is now fully utilised during 2017 and was based on the Directors best estimate for the completion of the contract at the time. A Post Balance Sheet event relating to an Insurance recovery regarding this contract is set out in the Strategic report on Page 2

The deferred tax liability on the pension scheme surplus has been fully reversed, leaving a deferred tax asset of £2,224,000 that has been reclassified under debtors in the “Statement of Financial Position”.

17. Issued share capital

		2017		2016
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	99,255,825	<u>99,256</u>	99,255,825	<u>99,256</u>

Notes to the financial statements

at 31 December 2017

18. Pensions

On 30 June 2014, it was agreed that the Company be appointed to replace Sapa Aluminium Holdings UK Limited as the Principal Employer of the Sapa 1988 Pension Scheme ("the Scheme"). At that time, the Company assumed the assets and liabilities of the scheme in accordance with the accounting requirements of FRS101, and the scheme surplus recognised by the company on that date has been treated as a capital contribution from Sapa Aluminium Holdings UK Limited. The company is now the principal employer of the final salary defined benefit pension scheme, under which contributions are made to a separately administered trust fund.

The pension scheme assets are held in a separate Trustee administered fund to meet long term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation.

A full actuarial valuation was carried out as at 31 March 2017 by a qualified actuary and the valuation was updated to 31 December 2017 to reflect current conditions. Full actual valuations are carried out every three years.

The updated valuation showed the market value of the scheme assets amounted to £279,838,000 (2016-£267,299,000) and the actuarial value was sufficient to cover 133% (2016-116%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2017 a surplus of £63,406,000 (2016-surplus of £45,726,000) has been recognised in respect of the defined benefit pension plan.

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

	2017	2016
	£000	£000
Scheme assets at fair value		
Global equities	94,589	91,476
Property	15,097	14,012
Corporate bonds	37,093	35,461
Index linked gilts	121,445	118,887
Liability Driven Investment Fund	6,844	6,608
Multi asset income	4,493	-
Cash	277	855
Fair value of scheme assets	279,838	267,299
Present value of scheme liabilities	(216,432)	(221,573)
Defined benefit pension plan surplus	63,406	45,726
Authorised surplus payment charge	(22,192)	-
Net defined benefit pension plan surplus	41,214	45,726

The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company. The Scheme's Liability Driven Investments are managed by BlackRock Asset Management and invest in four fixed and real swap funds. The swaps within these funds are derivative over the counter contracts in which cash flows are passed between two counterparties based on a notional principle amount. The purpose is to hedge against the nominal and real interest rate risks of the Scheme's liabilities.

Notes to the financial statements

at 31 December 2017

18. Pensions (continued)

	2017	2016
	£000	£000
<i>Amounts recognised in the income statement</i>		
Current service cost	458	329
Administration expenses	370	369
Past service cost	-	150
Recognised in arriving at operating profit	828	848
Net interest on defined benefit surplus	(1,236)	(1,505)
<i>Taken to the statement of comprehensive income</i>		
Return on plan assets (excluding amounts included in net interest expense)	11,090	46,943
Actuarial losses arising from changes in financial assumptions	(5,417)	(41,886)
Actuarial gains arising from changes in demographic assumptions	11,305	-
Gain recognised in the statement of comprehensive income	16,978	5,057

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

	2017	2016
	£000	£000
As at 1 January	221,573	179,614
Current service cost	458	329
Interest cost	5,883	6,690
Contributions by scheme participants	130	115
Actuarial losses arising from changes in financial assumptions	5,417	41,886
Actuarial gains arising from changes in demographic assumptions	(11,305)	-
Benefits paid	(5,724)	(7,211)
Past service cost	-	150
Defined benefit obligation at 31 December	216,432	221,573

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

	2017	2016
	£000	£000
As at 1 January	267,299	219,183
Interest income on plan assets	7,119	8,195
Return on scheme assets excluding interest income	11,090	46,943
Contributions by employer	294	443
Contributions by employee	130	115
Benefits paid	(5,724)	(7,211)
Administration expenses paid	(370)	(369)
Fair value of plan assets at 31 December	279,838	267,299

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 balance sheet dates.

Notes to the financial statements

at 31 December 2017

18. Pensions (continued)

	2017	2016
	%	%
<i>Main assumptions:</i>		
RPI inflation	3.20	3.20
Discount rate	2.50	2.70
Future salary increases	3.20	3.20
Statutory revaluation (CPI inflation)	2.10	2.10
Future pension increases (CPI min 3% p.a., max 5% p.a.)	3.20	3.30
Future pension increases (CPI max 5% p.a.)	2.10	2.10
Future pension increases (CPI with max 2.5% p.a.)	1.70	1.70
Future pension increases (RPI with max 5% p.a.)	3.10	3.10
Mortality before and after retirement – base table		
Mortality before and after retirement – future improvements		Actuarial Professions Continuous Mortality Investigation Committee (CMI) 2016 projections using a long-term rate of improvement of 1.25% p.a (2016-(CMI) 2013 projections using a long-term rate of improvement of 1.50% p.a.)

Sensitivity Analysis

Based on the assumptions set out above, the impact on the defined benefit 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 2017	216,432
Discount rate increased by 0.5% p.a	196,734
Discount rate reduced by 0.5% p.a	238,416
Inflation increased by 0.5% p.a	228,446
Inflation reduced by 0.5% p.a	205,186
Salary increase increases 0.5%	216,902
Salary increase decreases 0.5%	215,981
Life expectancy increases 1 year	227,019

The above analyses assume assumption changes 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 March 2017 where it was agreed not to increase the current employer contribution rate of 18% and employee contribution rate of 7%.

The Company considers that the contribution rates agreed with trustees at the last valuation date are sufficient to meet the statutory funding objectives of the Scheme at the time of the valuation and will be reviewed at the next valuation on 31 March 2017.

Notes to the financial statements

at 31 December 2017

18. Pensions (continued)

The company made regular contributions to the scheme during the year of £294,000 (2016-£298,000). There were no augmentation payments during the year (2016-£145,000).

19. Other financial commitments

At 31 December 2017 the company had future minimum lease commitments due under non-cancellable operating leases 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
Future minimum lease payments due				
Within one year	414	701	421	663
after one year but not more than five years	1,255	1,618	1,383	1,069
Over five years	233	51	225	17
	<u>1,902</u>	<u>2,370</u>	<u>2,029</u>	<u>1,749</u>

20. Financial Instruments

	2017	2016
	£000	£000
Forward commodity derivative contracts	<u>8,860</u>	<u>7,300</u>

The company entered into back to back arrangements with its ultimate controlling party to purchase forward commodity derivative contracts to hedge exposure on firm commitments of aluminium. The fair value of the above contracts at the balance sheet date was a £923,340 asset included in "Other financial assets", note 14 (2016: £859,000) and a £404,963 liability included in "Other financial liabilities", note 15 (2016: £137,000).

21. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Hydro Holdings UK Limited (formerly Sapa Aluminium Holdings UK Limited). The ultimate controlling party from 2 October 2017 is Norsk Hydro ASA and prior to that was Hydro Extruded Solutions AS (formerly Sapa AS), both companies 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 became a member on 2 October 2017 is Norsk Hydro ASA, prior to that it was Hydro Extruded Solutions AS.

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