

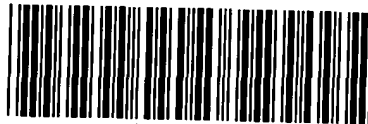
**Hydro Extrusion UK Limited**

**Annual report and financial  
statements**

Registered number 00961843

31 December 2018

TUESDAY



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## **Company information**

### **Directors**

PM Paigua  
RC Ablett  
DJ Williams

### **Secretary**

RC Ablett

### **Auditor**

KPMG LLP  
St Nicholas House  
Park Row  
Nottingham

### **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 2018.

### **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 9, the company's sales have increased by £2.1m (+1.3%) against the prior year.

There is an increase in Gross profit of by £2.7m with an associated increase in Gross Profit % (from 18.0% to 19.5%) partly driven by a change in customer mix and partly through cost of living price increases. Operating profit reduced in 2018 by £0.5m to a profit of £4.3m with the Insurance claim receipt detailed below being offset by a detrimental swing in costs compared to prior year of £2.4m associated with supporting the defined benefit pension scheme and £0.3m associated with derivative contracts.

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

### **Significant events during the year**

On 5 June 2018 the company received a sum of £3,208,693 as proceeds under an insurance claim relating to an under performing contract in relation to costs taken in 2015. The claim process was initiated prior to the prior year balance sheet date but the outcome was not highly certain at 31 December 2017 and therefore the receipt has been recognised in 2018 financial year.

### **Post Balance Sheet Event**

On March 19, 2019, Hydro was hit by an extensive cyber-attack. The attack affected our entire global organization, causing production challenges within the different business areas. Hydro has since resumed normal operations after working 24/7 both during and after the attack, with all available internal resources and in close co-operation with external expertise to resolve the situation. All PCs and servers across the company were reviewed, cleaned for any malware and safely restored, according to strict guidelines to ensure security and safety. Encrypted PCs and servers were rebuilt based on back-ups. Hydro has reorganized its security team to better detect and respond to cyber incidents, and is in dialogue with the relevant Norwegian and international authorities. Hydro has a robust cyber insurance in place with recognized insurers, that is currently being assessed so that the full financial impact on the business is still to be confirmed.

### **Principal risks and uncertainties**

The directors continually review and evaluate the risks that the company is facing. The company's operations expose it to a variety of financial risks that include the effects of changes in 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.

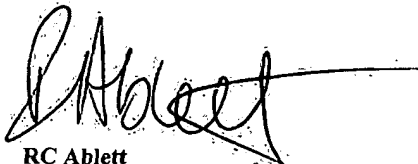
### **Liquidity risk**

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 on 13 Dec 2019 and signed on its behalf by:



**RC Ablett**

*Director*

## **Directors' report**

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

### **Profit before tax**

The profit for the year after taxation amounted to £6,191,000 (2017 - £5,148,000). The directors do not recommend a final dividend (2017-£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:

ARG Couturier	(Resigned 31 October 2018)
PM Paiagua	
RC Ablett	
DJ Williams	(Appointed 01 November 2018)

### **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.

### **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.

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

**Disclosure of information to the auditor**

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.

**Auditor**

KPMG LLP was appointed as auditor by the directors. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 13 Dec 2019 and was signed on its behalf by

A handwritten signature in black ink, appearing to read 'RC Ablett', with a long horizontal line extending to the right.

**RC Ablett**  
*Director*

**Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Hydro Extrusion UK Limited**

### **Opinion**

We have audited the financial statements of Hydro Extrusion UK Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standard, including FRS101 reduced disclosure framework.
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports, and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



## **Independent auditor's report to the members of Hydro Extrusion UK Limited**

*(continued)*

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Adam Craig** (Senior Statutory Auditor)

*for and on behalf of KPMG LLP, Statutory Auditor*  
*Chartered Accountants*  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

Dated: 13 December 2019

**Statement of comprehensive income**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Turnover</b>	3	156,930	158,089
Cost of sales		(125,716)	(129,629)
<b>Gross profit</b>		<b>31,214</b>	<b>28,460</b>
Distribution costs		(4,547)	(4,710)
Administrative expenses		(22,202)	(18,887)
<b>Operating profit</b>	4	<b>4,465</b>	<b>4,863</b>
Interest receivable and similar income	7	1,667	1,236
Interest payable	8	(45)	(63)
<b>Profit before taxation</b>		<b>6,087</b>	<b>6,036</b>
Tax on profit	9	104	(888)
<b>Profit after tax</b>		<b>6,191</b>	<b>5,148</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income for the year, net of tax</i>			
Actuarial gain in pension scheme	16	7,600	16,978
Deferred tax on pension surplus	9	(2,197)	(14,419)
<b>Total comprehensive income for the year</b>		<b>11,594</b>	<b>7,707</b>

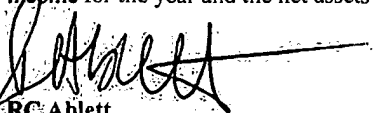
All turnover and operating profit for the current and preceding year arose from continuing activities.

**Statement of financial position**  
**at 31 December 2018**

	Note	2018		2017 (Restated)*	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Intangible assets	10		6,472		6,472
Tangible assets	11		25,287		24,574
Defined benefit pension scheme surplus	16		69,682		63,406
			<u>101,441</u>		<u>94,452</u>
<b>Current assets</b>					
Stocks	12	16,272		13,243	
Debtors	13	36,294		30,185	
Cash at bank and in hand		19,489		17,911	
		<u>72,055</u>		<u>61,339</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(32,604)</u>		<u>(28,693)</u>	
<b>Net current assets</b>			<u>39,451</u>		<u>32,646</u>
<b>Total assets less current liabilities</b>			<u>140,892</u>		<u>127,098</u>
<b>Provisions for liabilities</b>					
Other			(3)		-
Deferred tax liability	9		<u>(24,389)</u>		<u>(22,192)</u>
<b>Net assets</b>			<u>116,500</u>		<u>104,906</u>
<b>Capital and reserves</b>					
Called up share capital	15		99,256		99,256
Capital contribution			20,763		20,763
Profit and loss account			<u>(3,519)</u>		<u>(15,113)</u>
<b>Shareholders' funds</b>			<u>116,500</u>		<u>104,906</u>

These financial statements were approved by the board of directors on [ date ] and were signed on its behalf by:

\* The prior year figures have been restated in order to present the deferred tax liability associated with the defined benefit pension scheme surplus within provision for liabilities. The balance was previously offset against the defined benefit pension scheme surplus in non-current assets. As a result of this reclassification, the non-current assets presents the defined benefit pension scheme surplus of £63,406,000 and the deferred tax liability of £(22,192,000) is presented within provision for liabilities. This restatement has had a nil effect on both the total comprehensive income for the year and the net assets at 31 December 2017.

  
RC Ablett  
Director

Company registered number: 00961843

## Statement of changes in equity

	Called up share capital £000	Capital contribution £000	Retained earnings £000	Total £000
At 1 January 2017	99,256	20,763	(22,820)	97,199
Total other comprehensive income:				
Profit for the year			5,148	5,148
Actuarial gain on pension scheme			16,978	16,978
Deferred tax on surplus			(14,419)	(14,419)
<b>At 31 December 2017</b>	<b>99,256</b>	<b>20,763</b>	<b>(15,113)</b>	<b>104,906</b>

	Called up share capital £000	Capital contribution £000	Retained earnings £000	Total £000
At 1 January 2018	99,256	20,763	(15,113)	104,906
Total other comprehensive income:				
Profit for the year			6,191	6,191
Actuarial gain on pension scheme			7,600	7,600
Deferred tax on surplus			(2,197)	(2,197)
<b>At 31 December 2018</b>	<b>99,256</b>	<b>20,763</b>	<b>(3,519)</b>	<b>116,500</b>

## Notes

(forming part of the financial statements)

### 1 Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.5.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Change in accounting Convention

The company has adopted the following IFRSs in these financial statements:

- IFRS 15: Revenue from Contract with Customers
- IFRS 9: Financial Instruments

The Directors have assessed the impact of the adoption of IFRS 15 and IFRS 9 on the Company. The results of our assessment indicate that the impact on the financial statements of the adoption of IFRS 15 and IFRS 9 does not result in a material adjustment to the accounts for the year ending 31 December 2018.

#### 1.2 Measurement and Convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 1.3 Financial instruments (policy applicable from 1 January 2018)

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Notes** *(continued)*

**1**      **Accounting policies** *(continued)*

**1.3**     **Financial instruments** *(policy applicable from 1 January 2018 (continued))*

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*(b) Subsequent measurement and gains and losses*

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.3 Financial instruments (policy applicable from 1 January 2018) (continued)**

***Financial liabilities and equity***

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

***Intra-group financial instruments***

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Financial instruments (policy applicable from 1 January 2018) (continued)

##### (iii) Derivative financial instruments and hedging

###### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

###### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied – see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

###### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

##### (iv) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

**Notes** *(continued)*

**1**      **Accounting policies** *(continued)*

**1.3 Financial instruments (policy applicable from 1 January 2018)** *(continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than [30] days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**Notes (continued)**

**1 Accounting policies (continued)**

**1.4 Financial instruments (policy applicable prior to 1 January 2018)**

**(i) Classification of financial instruments issued by the Company**

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**(ii) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

*Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.4 Financial instruments (policy applicable prior to 1 January 2019) (continued)**

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### **(iii) Derivative financial instruments and hedging**

###### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

###### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

###### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the profit and loss account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

##### **(iv) Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Financial instruments (policy applicable prior to 1 January 2019) (continued)

##### (v) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.5 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 most critical to these financial statements are those relating to actuarial assumptions applied in valuing the pension scheme assets and liabilities, and the recognition of deferred tax assets.

#### 1.6 Significant accounting policies

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

##### 1.7 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding trade discounts, rebates, value added tax and other sales taxes.

Turnover from the sale of goods is recognised when significant risks and rewards of ownership of goods have passed to the buyer, usually on dispatch of the goods.

##### 1.8 Other Operating Income

Other operating income consists of die sales, scrap sales and rental income. The revenue recognises the provision of goods and services.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Intangible Fixed Assets

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a system 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, 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 amortisation of goodwill in the Companies Act. The impact of applying this override is a reduction £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 the consideration transferred over the net identifiable amounts of the assets acquired and the liability assumed in exchange for the business combination. After initial recognition, goodwill is measured less any accumulated impairment losses.

#### 1.10 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.

#### 1.11 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.

#### 1.12 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.

#### 1.13 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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.14 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.

#### **1.15 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.

#### **1.16 Operating Leases**

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

#### **1.17 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 at 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.

#### **1.18 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.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.19 Adopted IFRS not yet applied**

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 16 Leases (effective date 1 January 2019).

The Company continues to assess the impact of IFRS 16 Leases which will be effective for periods beginning 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The most significant impact of IFRS 16 will be that the Company's leased properties, which are currently classified as operating leases, will be recognised as a lease liability with a corresponding asset in the Statement of Financial Position.

### **2 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 2018 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 company's registered number is 00961843 and 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 financial statements of Norsk Hydro ASA, a company incorporated in Norway. Therefore, the financial statements present information about the company as an individual undertaking and not about its group.

#### **2.1 Going concern**

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. The Company has considerable financial resources together with contracts with a number of customers. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes (continued)

### 3 Turnover

Turnover originates from the company's principal activity, being the sale of goods. An analysis of turnover by geographical destination is given below:

	2018 £000	2017 £000
United Kingdom	147,573	149,907
Europe	9,327	8,143
Rest of the world	30	39
	<u>156,930</u>	<u>158,089</u>

All turnover activity related to the sale of goods.

### 4 Operating profit

This is stated after charging/(crediting):

	2018 £000	2017 £000
Auditor's remuneration – audit of these financial statements	56	45
Depreciation – owned assets	2,535	2,253
Foreign exchange gain	69	77
Gain on forward commodity contracts	518	202
Receipt on insurance claim	3,209	-
	<u>686</u>	<u>584</u>
Rentals under operating leases—hire of plant and machinery	<u>686</u>	<u>584</u>

**Notes (continued)**

**5 Directors' remuneration**

	2018 £000	2017 £000
Remuneration	408	368
Pension contributions	16	12
	<u>424</u>	<u>380</u>

*Remuneration of the highest paid director:*

	2018 £000	2017 £000
Remuneration	270	142
Pension contributions	11	7
	<u>281</u>	<u>149</u>

The number of directors who are members of a defined benefit scheme is None (2017: None).

**6 Staff costs**

	2018 £000	2017 £000
Wages and salaries	18,407	17,821
Social security costs	1,837	1,775
Pension costs (note 16)	1,129	1,063
	<u>21,373</u>	<u>20,659</u>

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

	Number of employees 2018	2017
Production	434	442
Sales and distribution	43	44
Administration	69	69
	<u>546</u>	<u>555</u>

**Notes (continued)**

**7 Interest receivable and similar income**

	2018 £000	2017 £000
Bank interest	89	
Net interest on defined benefit surplus (note 16)	1,578	1,236
	<u>1,667</u>	<u>1,236</u>

**8 Interest payable**

	2018 £000	2017 £000
Bank interest	-	12
Other interest	45	51
	<u>45</u>	<u>63</u>

**9 Taxation**

***Tax (credit)/charge in the statement of comprehensive income***

	2018 £000	2017 £000
<i>Current tax:</i>		
Current tax for the year at 19% (2017: 19.25%)	658	194
Amounts overprovided in previous year	(16)	
	<u>642</u>	<u>194</u>
<i>Deferred tax:</i>		
Adjustment in respect of defined benefit pension plan		
Origination and reversal of timing differences	(760)	694
Amounts underprovided in previous year	14	
	<u>(104)</u>	<u>888</u>
Total tax (credit) / charge		

***Tax included in the statement of other comprehensive income***

	2018 £000	2017 £000
Deferred tax in respect of the defined benefit pension plan	(2,197)	(14,419)
Total tax in the statement of other comprehensive income	<u>(2,197)</u>	<u>(14,419)</u>

## Notes (continued)

### 9 Taxation (continued)

#### Reconciliation of total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	2018 £000	2017 £000
Profit for the year	6,191	5,148
Tax (credit) / charge	(104)	888
Profit before tax	<u>6,087</u>	<u>6,036</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,156	1,161
Effects of:		
Amounts credited to equity	-	7,773
Expenses not deductible for tax purposes	374	127
Tax overprovided in previous years	(2)	-
Movement in deferred tax not recognised	(1,540)	(7,664)
Effect of changes in tax rate	(92)	(509)
Tax on profit	<u>(104)</u>	<u>888</u>

The deferred tax assets/(liabilities) included in the statement of financial position is as follows

	Trading losses and other temporary differences £000	Deferred tax on pension surplus £000	Total £000
At 1 January 2018	2,224	(22,192)	(19,968)
Current year charge to the income statement	746	-	746
Current year charge to other comprehensive income	-	(2,197)	(2,197)
At 31 December 2018	<u>2,970</u>	<u>(24,389)</u>	<u>(21,419)</u>

The deferred tax assets of £2,970,000 is presented within debtors (see note 13). The deferred tax liabilities of £24,389,000 is presented in provisions for liabilities. These assets and liabilities have not been offset on the basis that there is no legal right of offset.

The deferred tax liability in respect of the pension scheme surplus was fully reversed in 2017 and replaced by a 35% deferred tax liabilities on the surplus, representing an "authorised surplus payment charge". An amount of £2,197,000 (2017: £22,192,000) has been charged to other comprehensive income.

Deferred taxation assets relating to carried forward trading losses and other temporary differences of £3,232,000 (2017: £4,773,000) have not been accounted for on the basis of uncertainty regarding their recoverability.

#### Factors that may affect future tax charges

From 1 April 2017, the main rate of corporation tax was reduced to 19%. Further reduction to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

## Notes (continued)

### 10 Intangible fixed assets

	<b>Goodwill £000</b>
<i>Cost:</i>	
At 1 January 2018 and 31 December 2018	6,472

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. Based on the result of this impairment test, the directors concluded that no impairment was required.

### 11 Tangible fixed assets

	<b>Freehold land and buildings £000</b>	<b>Plant and equipment £000</b>	<b>Office equipment £000</b>	<b>Total £000</b>
<i>Cost:</i>				
At 1 January 2018	24,781	47,857	1,243	73,881
Additions	-	3,566	-	3,566
Disposals	(1,774)	(21,916)	-	(23,690)
Reclass	4,655	27,842	1,352	33,849
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	27,662	57,349	2,595	87,606
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>				
At 1 January 2018	12,087	36,003	1,217	49,307
Charge for the year	565	1,910	60	2,535
Disposals	(1,602)	(21,770)	-	(23,372)
Reclass	4,212	28,383	1,254	33,849
	<hr/>	<hr/>	<hr/>	<hr/>
	15,262	44,526	2,531	62,319
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>				
At 31 December 2018	12,400	12,823	64	25,287
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	12,694	11,854	26	24,574
	<hr/>	<hr/>	<hr/>	<hr/>

The cost of land included with freehold land and buildings which is not being depreciated is £562,000 (2017: £562,000)

**Notes (continued)**

**12 Stocks**

	2018 £000	2017 £000
Raw materials and consumables	12,461	9,711
Work in progress	1,068	813
Finished goods	2,743	2,719
	<u>16,272</u>	<u>13,243</u>

Total inventory expensed through the statement of comprehensive income for 2018 is £104,117,000 (2017: £95,719,000).

**13 Debtors**

	2018 £000	2017 £000
Trade debtors	28,428	22,333
Amounts owed by group undertakings	4,336	4,330
Other debtors	-	104
Other financial assets	297	947
Prepayments and accrued income	263	247
Deferred tax (note 9)	2,970	2,224
	<u>36,294</u>	<u>30,185</u>

Other financial assets represent the fair value of forward commodity derivative contracts (note 19).

**14 Creditors: amounts falling due within one year**

	2018 £000	2017 £000
Trade creditors	19,855	17,570
Amounts owed to group undertakings	6,750	5,478
Other taxes and social security costs	2,191	679
Other financial liabilities	1,453	502
Accruals and deferred income	2,355	4,464
	<u>32,604</u>	<u>28,693</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 (2017: £nil).

Other financial liabilities represent the fair value of forward commodity derivative contracts (note 18).

**Notes (continued)**

**15 Issued share capital**

	2018 £000	2017 £000
<i>Allotted, called up and fully paid:</i>		
99,255,825 ordinary shares of £1 each	<u>99,256</u>	<u>99,256</u>

**16 Pensions**

On 30 June 2014, it was agreed that the Company be appointed to replace Hydro Holdings UK Limited (formerly Sapa Aluminium Holdings UK Limited) as the Principal Employer of the Hydro 1988 Pension Scheme (formerly 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 Hydro 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 2018 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 £270,550,000 (2017: £279,838,000) and the actuarial value was sufficient to cover 128% (2017-133%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2018 a surplus of £69,682,000 (2017: surplus of £63,406,000) has been recognised in respect of the defined benefit pension plan.

## Notes (continued)

### 16 Pensions (continued)

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

	2018 £000	2017 £000
<i>Scheme assets at fair value:</i>		
Global equities	78,621	94,589
Property	15,582	15,097
Corporate bonds	34,525	37,093
Index linked gilts	92,627	121,445
Liability driven investment fund	32,525	6,844
Multi asset income	16,073	4,493
Cash	597	277
	<hr/>	<hr/>
Fair value of scheme assets	270,550	279,838
Present value of scheme liabilities	(200,868)	(216,432)
	<hr/>	<hr/>
Defined benefit pension plan surplus	69,682	63,406
	<hr/>	<hr/>
Authorised surplus payment charge, presented within deferred tax liabilities	(24,389)	(22,192)
	<hr/>	<hr/>
Net defined benefit pension plan surplus	45,293	41,214
	<hr/>	<hr/>

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.

	2018 £000	2017 £000
<i>Amounts recognised in the income statement:</i>		
Current service cost	404	458
Administration expenses	480	370
Past service cost	2,392	-
	<hr/>	<hr/>
Recognised in arriving at operating profit	3,276	828
	<hr/>	<hr/>
Net interest on defined benefit surplus	(1,578)	(1,236)
	<hr/>	<hr/>

	2018 £000	2017 £000
<i>Taken to statement of comprehensive income</i>		
Return on plan assets (below)/in excess of that recognised in net interest	(9,478)	11,090
Actuarial gains/(losses) arising from changes in financial assumptions	15,487	(5,417)
Actuarial gains arising from changes in demographic assumptions	1,591	11,305
	<hr/>	<hr/>
Gain recognised in statement of comprehensive income	7,600	16,978
	<hr/>	<hr/>

## Notes (continued)

### 16 Pension (continued)

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

	2018 £000	2017 £000
As at 1 January	216,432	221,573
Current service cost	404	458
Interest cost	5,344	5,883
Contributions by scheme participants	110	130
Actuarial (gains)/losses arising from changes in financial assumptions	(15,487)	5,417
Actuarial gains arising from changes in demographic assumptions	(1,591)	(11,305)
Benefits paid	(6,736)	(5,724)
Past service cost	2,392	-
<b>Defined benefit obligation at 31 December</b>	<b>200,868</b>	<b>216,432</b>

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

	2018 £000	2017 £000
As at 1 January	279,838	267,299
Interest income on plan assets	6,922	7,119
Return on scheme assets excluding interest income	(9,478)	11,090
Contributions by employer	374	294
Contributions by employee	110	130
Benefits paid	(6,736)	(5,724)
Administration expenses paid	(480)	(370)
<b>Fair value of plan assets at 31 December</b>	<b>270,550</b>	<b>279,838</b>

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.

	2018 %	2017 %
<i>Main assumptions:</i>		
RPI inflation	3.20	3.20
Discount rate	2.90	2.50
Future salary increases	3.20	3.20
Statutory revaluation (CPI inflation)	2.10	2.10
Future pension increases (CPI min 3% pa, max 5% pa)	3.20	3.20
Future pension increases (CPI max 5% pa)	2.10	2.10
Future pension increases (CPI with max 2.5% pa)	1.70	1.70
Future pension increases (RPI with max 5% pa)	3.10	3.10

Mortality before and after retirement – base table

112% of the SAPS2 table for males and females

Mortality before and after retirement – future improvements

Actuarial Professions  
Continuous Mortality  
Investigation Committee  
(CMI) 2017 projections using a long-term rate of  
improvement of 1.25% p.a (2016-(CMI) 2016  
projections using a long-term rate of improvement of  
1.25% p.a.)

## Notes (continued)

### 16 Pensions (continued)

#### *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 2018	200,868
Discount rate increased by 0.5% pa	183,347
Discount rate reduced by 0.5% pa	221,013
Inflation increased by 0.5% pa	211,946
Inflation reduced by 0.5% pa	191,656
Salary increase increases 0.5%	201,296
Salary increase decreases 0.5%	200,456
Life expectancy increase 1 year	210,549

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.

The company made regular contributions to the scheme during the year of £274,000 (2017: £294,000). An augmentation of £100,000 (2017: £nil) was also paid during the year.

### 17 Other financial commitments

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

	2018		2017	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Future minimum lease payments due:</i>				
Less than one year	434	1,213	414	701
Between one and five years	974	1,636	1,255	1,618
More than five years	138	59	233	51
	<u>1,546</u>	<u>2,908</u>	<u>1,902</u>	<u>2,370</u>

**Notes (continued)**

**18 Financial instruments**

	2018 £000	2017 £000
Forward commodity derivative contracts	4,213	8,860

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 £297,000 asset included in "Other financial assets" note 13 (2017: £923,340) and a £754,000 liability included in "Other financial liabilities", note 14 (2017: £404,963).

**19 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.

**20 Related Party Disclosure**

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,

The Company has taken advantage of the exemption available under FRS 101 and has not disclosed transactions with companies that are wholly owned Hydro SAS subsidiaries or made the disclosures in respect of compensation of Key Management Personnel.