

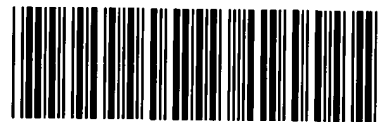
Hydro Components UK Limited

**Annual report and financial
statements**

Registered number 06249930

31 December 2019

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Company information

Directors	RC Ablett P Chemielewski DJ Williams
Secretary	DJ Williams
Auditor	KPMG LLP St Nicholas House Park Row Nottingham
Bankers	Handelsbanken 1142 Regents Court Gloucester Business Park Gloucester GL2 5DG
Registered Office	Spinnaker Park Spinnaker Road Gloucester Gloucestershire GL2 5DG

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2019.

Principal activity and review of the business

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

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

	2019 £000	2018 £000	Change %
Turnover	54,792	57,320	-4.4%
Operating loss	(5,941)	(7,435)	13.7%
Loss after tax	(5,751)	(6,397)	10.1%
Shareholders' funds	2,522	8,273	-69.5%

Turnover has decreased by £2,528,000 in the year. Whilst there has been some new business won during the year, this has not compensated for the volumes lost through some existing products coming to end of life. Some customer products have also been moved to Poland on a permanent basis. In addition, in early 2019 there was a fire at one of the Company's sites, and the Company was also subject to a cyber-attack (see below for further details) both of which had an impact on the revenues and profitability of the Company in 2019.

The company's objectives are to achieve growth and returns in line with the expectations of its shareholders. This is to be achieved by a combination of building a competitive product range for automotive customers produced at a competitive price using unique in-house capabilities and further development in new techniques and technologies. Also, the decision was made post year end to sell all the net assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly Hydro Extrusions UK Limited) which will enable the newly combined statutory entity to benefit from certain synergies.

Significant events during the year

The Hydro group experienced a significant cyber-attack on 19 March 2019. The attack affected the entire global organization, with Extruded Solutions having suffered the most significant operational challenges and financial losses. The main impact on the Company is lost sales revenues as a result of lost production ability and ability to receive and process sales orders during the period March - May 2019, and some additional costs have been incurred to remediate impacted systems and data. The Hydro group has a robust cyber insurance in place, which the Company has benefitted from, with additional parts of the claim still in process.

In April 2019 there was a fire at the Gloucester site which caused damage to several pieces of machinery and the roof of the building. Several customer projects were transferred to Lodz in Poland whilst repairs were being undertaken to the equipment and building. The business has a disaster recovery plan for events like this and within a few days' customers were being supplied from Poland with no disruption of supply. The costs relating to damage to the equipment and building have been recognised within the 2019 financial results and there are currently ongoing discussions with the company's insurance provider.

Following a review of the manufacturing footprint in the UK and the upcoming loss of a key customer a decision has been taken to close the Rotherham site and to move all the equipment and customer contracts to the Gloucester site. This allows the business to consolidate all activities on one site and makes the business more robust to any future downturns in the market or a further reduction in customers volumes. The total provision recognised in the year in relation to the above was £5,106,000. Also, an impairment of the Rotherham site right-of-use asset was recognised in 2019 accounts, total value £665,000.

In 2020, the decision was made to sell all the trade and assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly known as Hydro Extrusion UK Limited). The sale took place on the 31 August 2020. Therefore, as consequence, the accounts are not prepared on a going concern basis.

Strategic Report (continued)

Principal risks and uncertainties

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

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company does not use derivative financial instruments to manage interest costs and as such, no hedge accounting is applied. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

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

The Covid-19 pandemic early in 2020 required changes to the Company's daily operations in order to protect employees and allow for continued production. Furthermore, the related global economic slowdown resulted in a softening of customer demand in the first half of 2020. The company has systems in place to enable its office staff to work from home and put in place additional measures to protect those who are required to be on site at the plant. As part of the Norsk Hydro Group, the directors are of the opinion that the company has the resources required to withstand any short-term economic impact and is able to continue to supply its customers' requirements throughout this period.

Price risk

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

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

Credit risk

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

Liquidity risk

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

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The Board of directors consider that both individually and together they acted in good faith and in a manner that would be most likely to promote the success of the company for the benefit of the stakeholders.

In particular the delivery of the strategic plans which will deliver a long-term beneficial impact to the company and the specific stakeholders as follows:

To our employees – we aim to be a responsible employer in providing ongoing training and development opportunities which support the business needs as well as offering a competitive remuneration package. We will further develop our safety systems to maintain a safe working environment.

Strategic Report (continued)

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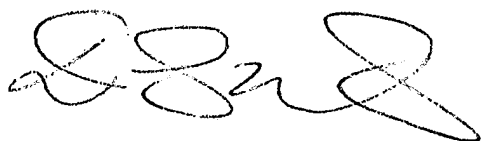
To our customers – we aim to build on our existing relationships and continue to provide our customers with innovative aluminium solutions to meet their needs.

To our suppliers – we aim to ensure you receive prompt payment for your invoices, maintain a good working relationship and work together on areas of mutual interest.

To our local communities and environment – we aim to ensure we are a responsible employer and neighbour. We also aim to make a positive environmental impact from our solutions and our focus on reducing our environmental footprint overtime.

By delivering on these aims the directors believe they will contribute to enhancing the Norsk Hydro Groups global reputation in a positive way and deliver an improved financial return to our shareholder. Being a 100% owned subsidiary of the Norsk Hydro Group, the decision the directors make will have due regard to the needs of the Group as well as the company. At all times the directors will strive to make informed decisions, in a responsible way, with due regard to the various stakeholder interests in a fair and reasonable way.

This report was approved by the board on 23 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Williams', written over a horizontal line.

D Williams

Director

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year after taxation amounted to £5,751,000 (2018: loss of £6,397,000). The directors do not recommend a final dividend (2018: £nil).

Future developments

Since the year end there has been a review of the legal structure in the UK and the decision was made to sell all of Hydro Components UK Limited trade and net assets to Hydro Aluminium UK Limited (formerly Hydro Extrusion UK Limited), effective as at 31 August 2020.

As disclosed in the Strategic report, in March 2020 the UK began to feel the full effects from Covid-19 with restrictions on travel, social interaction and the forced closure of some sectors of the economy on a temporary basis. Whilst the company is not one of the sectors that has been forced to close, it has been necessary to reduce volumes during 2020 to adjust to reduced customer demand. The economic environment in 2020 is expected to remain challenging in the short term and unpredictable and it is not possible to determine the financial impact that this may have on the company.

Training and development

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

Research and development

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

Going concern

Due to the selling of Hydro Components UK Limited's net assets to Hydro Aluminium UK Limited (formerly Hydro Extrusion UK Limited) as at the 31 August 2020, the 2019 accounts are prepared on a non-going concern basis.

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:

RC Ablett
P Chemielewski
DJ Williams

Disabled employees

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

Directors' report *(continued)*

Employee involvement

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

Health and Safety at Work Act 1974

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

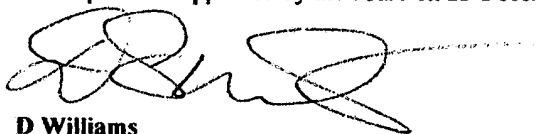
Disclosure of information to the auditor

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 on 23 December 2020 and signed on its behalf by:



D Williams
Director

Company registered number: 06249930

Statement of directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; 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 (as explained in note 1.11, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 Components UK Limited

Opinion

We have audited the financial statements of Hydro Components UK Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1. 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 state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK GAAP; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1.11 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter."

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 and we do not express an audit opinion thereon.

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

Based solely on that work:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.



Independent auditor's report to the members of Hydro Components UK Limited

(continued)

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.

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.

A handwritten signature in black ink, appearing to read 'Adam Craig'.

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: 23 December 2020

Profit and loss account and other comprehensive income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	4	54,792	57,320
Cost of sales		(36,612)	(43,627)
Gross profit		18,180	13,693
Other income	5	850	1,470
Distribution costs		(8,295)	(5,214)
Administrative expenses		(16,676)	(17,384)
Operating loss	5	(5,941)	(7,435)
Interest payable and similar charges	8	(524)	(425)
Loss on asset disposal		(477)	10
Loss before taxation		(6,942)	(7,850)
Tax on loss	9	1,191	1,453
Loss for the financial year and total comprehensive income		(5,751)	(6,397)

On 31 August 2020 the Company sold all of its trade and assets to Hydro Aluminium UK Limited (formerly known as Hydro Extrusion UK Limited), a related party of the Company. Consequently, the above results do not arise from continuing operations within this Company, with there being no trading activity in the Company subsequent to 31 August 2020.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

The attached notes form an integral part of the financial statements.

Balance sheet
at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	10	9	9
Tangible assets	11	16,129	16,449
Deferred tax asset	16	955	-
		17,093	16,458
Current assets			
Stocks	12	3,120	5,591
Debtors	13	14,301	18,557
Cash at bank and in hand		8	2
		17,429	24,150
Creditors: amounts falling due within one year	14	(9,574)	(25,207)
Provisions	22	(2,000)	-
		5,855	(1,057)
Net current assets/(liabilities)			
		22,948	15,401
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(17,618)	(7,011)
Provisions	22	(2,808)	-
Provisions for liabilities: deferred tax liability	16	-	(117)
		2,522	8,273
Net assets			
Capital and reserves			
Called up share capital	18	1	1
Share premium		444	444
Capital contribution		6,346	6,346
Profit and loss account		(4,269)	1,482
		2,522	8,273
Shareholders' funds			
		2,522	8,273

These financial statements were approved by the board of directors on 23 December 2020 and were signed on its behalf by:



D Williams
Director

Company registered number: 06249930

Statement of changes in equity

	Called up share capital £000	Share premium £000	Capital contribution £000	Retained earnings £000	Total £000
At 1 January 2018	1	444	6,346	7,879	14,670
Total comprehensive income:					
Loss for the year	-	-	-	(6,397)	(6,397)
At 31 December 2018	1	444	6,346	1,482	8,273

	Called up share capital £000	Share premium £000	Capital contribution £000	Retained earnings £000	Total £000
At 1 January 2019	1	444	6,346	1,482	8,273
Total comprehensive income:					
Loss for the year	-	-	-	(5,751)	(5,751)
At 31 December 2019	1	444	6,346	(4,269)	2,522

Notes

(forming part of the financial statements)

Hydro Components Limited (the “Company”) is a Company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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.

The Company’s ultimate parent undertaking, Norsk Hydro ASA includes the Company in its consolidated financial statements. The consolidated financial statements of Norsk Hydro ASA are prepared in accordance with IFRS-EU and are available to the public and may be obtained from: <https://www.hydro.com/Document/Index?name=Annual%20report%202019%20web.pdf&id=506433>

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

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

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

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

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1. Accounting policies

1.1. Basis of preparation

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

- IFRS 16: Leases

The Directors have adopted IFRS 16 from the 1st January 2019. See note 20 for further details.

1.2. Measurement 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.

Notes (continued)

1 Accounting policies (continued)

1.3. Financial instruments

1.4. (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.

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.

Notes (continued)

1 Accounting policies (continued)

1.3. Financial instruments (continued)

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.

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.

(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).

(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).

Notes (continued)

1 Accounting policies (continued)

1.3. Financial instruments (continued)

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.

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.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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.

(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.

Notes (continued)

1 Accounting policies (continued)

1.3. Financial instruments (continued)

(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.

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.

(iv) 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.

Notes (continued)

1 Accounting policies (continued)

1.5. Impairment of non-financial assets excluding stocks and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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.

1.6. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.7. Expenses

Operating lease payments (Policy Applicable before 1st January 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes (continued)

1 Accounting policies (continued)

1.6 Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.9 Government Grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

1.10 Leases (policy applicable after 1st January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same

Notes (continued)

1.10. Leases (policy applicable after 1st January 2019) (Continued)

basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

1 Accounting policies (continued)

1.11. Going Concern

Post 2019, the decision was made to sell all the net assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly known as Hydro Extrusion UK Limited). The sale took place on the 31st August 2020. Therefore, as consequence, the Company is not expected to continue as a going concern.

1.12. Goodwill

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

1.13. Tangible fixed assets

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

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

Freehold 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.

1.14. Turnover

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

Revenue from the sale of goods is recognised when the performance obligations are satisfied by transferring a promised good or service to the customer, usually on dispatch of the goods.

In the launch phase of a project, prototypes are manufactured and sold to the customer at a higher than normal production price. Revenue is recognised as the performance obligations are discharged.

Notes (continued)

1 Accounting policies (continued)

1.15. Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.16. Research and development

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

1.17. Pensions

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

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

1.18. Foreign currencies

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

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

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

The financial statements of Hydro Components UK Limited (the "Company") for the year ended 31 December 2019 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 Dave Williams. 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 Components UK Limited is incorporated and domiciled in England and Wales. The company's registered number is 06249930 and the address of the registered office is Spinnaker Park, Spinnaker Road, Gloucester, GL2 5DG. 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.

Notes (continued)

3. Judgements and key sources of estimation uncertainty

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

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

Deferred tax asset

Due to the sale of all trade and net assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly Hydro Extrusion UK Limited) the directors believe that all the deferred tax asset is recoverable.

Fixed asset – impairment

As mentioned in the strategic report, due to the planned closure of the Rotherham site an impairment of the property right-of-use asset was recognised in 2019 accounts, total value £665,000, writing the carrying amount down to £nil. No further impairment was carried out as all other assets are expected to be transferred to the Gloucester site.

Stock Provision

The stock provision is initially calculated using stock turns based on the stock level at year end over the past 12 months sales per project. Management also consider the future order book and any external market factors such as a change of end of project when deciding the amount of provision provided.

Provisions

The directors have made an estimate of the provision which is required for the planned closure of the Rotherham site. This is based on a present legal or constructive obligation being able to be estimated reliably, with it being probable that there will be an economic outflow to settle the obligation. Future operating losses are not provided for. The recognition of the provision at the period end requires estimates to be made by the directors regarding the future economic outflows, with it being possible that the actual outcome could differ from the estimate which has been made at the period end. However, this estimate has been made based on the information that the directors have at the timing of making the estimate, and this represents the best estimate, in their judgement.

Estimation techniques - prototype costing

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

4. Turnover

An analysis of turnover by geographical destination is given below:

	2019 £000	2018 £000
United Kingdom	32,218	39,472
Europe	22,574	17,848
	<hr/> 54,792 <hr/>	<hr/> 57,320 <hr/>

Notes (continued)

5. Operating Loss

This is stated after charging:

	2019 £000	2018 £000
Auditor's remuneration – audit of these financial statements	32	30
Other income – scrap revenue	(850)	(1,470)
Depreciation – owned assets	1,867	2,026
Depreciation on right-of-use assets	547	-
Operating lease payments – plant and machinery	-	149
Short term leases	140	333
Foreign exchange gain	106	192
Write down of stocks to net realisable value	1,004	32
Loss on fixed asset disposal	476	-
Impairment of right-use-assets	665	-
Impairment of goodwill	-	1,453

The loss on disposal of fixed assets in 2019 primarily relates to the assets which were written off as a result of a fire at the Gloucester site which caused damage to several pieces of machinery and the roof of the building. At the period end discussions are ongoing with the company's insurance provider, and consequently no asset has been recognised in respect of any potential recovery of costs.

6. Directors' remuneration

	2019 £000	2018 £000
Remuneration	-	171
Pension contributions	-	11
	-	182

Remuneration of the highest paid director:

	2019 £000	2018 £000
Remuneration	-	171
Pension contributions	-	11
	-	182

The number of directors who are members of a defined benefit scheme is Nil (2018: None). The two directors at the end of 2019 D Williams and P Chmielewski are paid by another group company, Hydro Extruded Solutions AS and RC Ablett by Hydro Extrusion UK Limited. Their services to Hydro Components UK Limited are of a non-executive nature and their remuneration was deemed to be wholly attributed to those entities and is not included in the above details. Previously in 2018 there were two directors paid through Hydro Components UK Limited.

Notes (continued)

7. Staff costs (including directors' remuneration)

	2019	2018
	£000	£000
Wages and salaries	11,203	12,375
Social security costs	1,122	1,255
Pension costs (note 17)	569	535
	<hr/>	<hr/>
	12,894	14,165
	<hr/>	<hr/>

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

	Number of employees	
	2019	2018
Production	260	263
Office and administration	116	121
	<hr/>	<hr/>
	376	384
	<hr/>	<hr/>

8. Interest payable and similar charges

	2019	2018
	£000	£000
Interest payable on inter-company loans	286	221
Bank interest	204	204
Lease interest	34	-
	<hr/>	<hr/>
	524	425
	<hr/>	<hr/>

Notes (continued)

9 Taxation

Tax charged in the statement of comprehensive income

	2019 £000	2018 £000
<i>Current tax:</i>		
Current tax for the year at 19% (2018: 19%)	-	-
Group relief receivable	(182)	(1,338)
Adjustments in respect of prior years	63	8
	<u>(119)</u>	<u>(1,330)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(1,008)	(115)
Adjustments in respect of prior periods	(64)	(8)
	<u>(1,072)</u>	<u>(123)</u>
	<u><u>(1,191)</u></u>	<u><u>(1,453)</u></u>

Reconciliation of total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss for the year	(5,751)	(6,397)
Tax credit	(1,191)	(1,453)
	<u>(6,942)</u>	<u>(7,850)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,319)	(1,491)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	129	38
Adjustment in respect of prior periods	(1)	-
	<u>(1,191)</u>	<u>(1,453)</u>
Tax on loss	<u><u>(1,191)</u></u>	<u><u>(1,453)</u></u>

Factors that may affect future tax charges

From 1 April 2016, the corporation tax rate was 20%. The Finance Act (No.2) 2015 was substantively enacted after the year end and included 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, but it was announced in the Budget on 11 March 2020, that the corporation tax rate applicable from 1 April 2020, would remain at 19%. Although this change was substantively enacted on 17 March 2020, any deferred tax is calculated at the tax rate of 17% being the rate substantively enacted at 31 December 2019.

Notes (continued)

10 Intangible fixed assets

	Goodwill £000
<i>Cost:</i>	
Balance At 1 January 2019	9
Impairment charge	-
	<hr/>
Balance At 31 December 2019	9 <hr/>

11 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery and tools £000	Fixtures fittings and equipment £000	Assets Under construction £000	Finance lease under IAS 17 £000	Right-of-use asset (Note 20) £000	Total £000
<i>Cost:</i>							
At 1 January 2019	4,414	17,698	416	2,428	960	-	25,916
Transitional Adjustment	-	-	-	-	(960)	1,854	894
Additions	-	532	-	1,637	-	-	2,169
Disposals	-	(1,184)	-	(799)	-	(7)	(1,990)
Transfer	-	183	-	(183)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	4,414	17,229	416	3,083	-	1,847	26,989
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>							
At 1 January 2019	692	7,477	416	-	882	-	9,467
Provision for depreciation	60	1,807	-	-	-	547	2,414
Impairment	-	-	-	-	-	665	665
Reclassification	-	-	-	-	(882)	-	(882)
Disposals	-	(799)	-	-	-	(5)	(804)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	752	8,485	416	-	-	1,207	10,860
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>							
At 31 December 2019	3,662	8,744	-	3,083	-	640	16,129
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	3,722	10,221	-	2,428	78	-	16,449
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

An amount of £709,000 of assets under construction has been transferred to another Hydro subsidiary (Hydro Extrusion Poland sp. z.o.o).

An impairment of the Rotherham site right-of-use asset was recognised in with a total value of £665,000.

As detailed within note 25, all of the trade and assets of the Company were sold to a fellow group subsidiary on 31 August 2020 at book value. All of these assets will be used in the continuing operations of Hydro Aluminium UK Limited.

Assets under construction

These relate to expenditure for plant and machinery which has not yet been commissioned.

Notes (continued)

12 Stocks

	2019 £000	2018 £000
Raw materials and consumables	2,067	3,008
Work in progress	271	1,251
Finished goods	782	1,332
	<u>3,120</u>	<u>5,591</u>

During the year the amount of stock recognised as an expense in the profit and loss and other comprehensive income statement was £36,702,457 (2018: £43,627,436).

A charge of £1,004,000 has been recognised in the current year in respect of the write down of inventories to net realisable value. This has arisen as a result of the loss of a key customer during the year and the decision to close the Rotherham site.

13 Debtors

	2019 £000	2018 £000
Trade debtors	7,822	12,110
Amounts owed by group undertakings	4,458	1,532
Other debtors	1,883	4,660
Prepayments and accrued income	138	255
	<u>14,301</u>	<u>18,557</u>

14 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	4,261	5,431
Amounts owed to group undertakings	1,733	16,098
Other taxes and social security costs	233	316
Other creditors	179	105
Accruals	2,538	3,142
Finance lease liability	-	70
IFRS 16 lease liability	574	-
Deferred Income (note 19)	56	45
	<u>9,574</u>	<u>25,207</u>

Amounts owed to group undertakings is trade creditors payable to other Hydro Group entities.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
IFRS 16 lease liability	625	-
Amounts owed to group undertakings	16,881	6,881
Deferred Income (note 19)	112	130
	<u>17,618</u>	<u>7,011</u>

On 23 October 2019 the existing long-term loan was extended by a further £10,000,000. The new total amount of £16,881,000 is due for repayment on 23 October 2022. The proceeds of the loan were used to settle certain short-term balances.

The interest rate period for the Loan is 6 (six) months starting from the date of the disbursement of the Loan and thereafter consecutive 6 (six) month periods.

The rate of interest on the Loan is the percentage rate per annum which is the aggregate of LIBOR GBP 6M as determined by the Lender 2 (two) Banking Days prior to the first day of the relevant Interest Rate Period; and a margin of 2.90 per cent.

All of the contracts which represent the creditors falling due after more than one year have been novated to Hydro Aluminium UK Limited, as part of the sale of the trade and assets of the Company to Hydro Aluminium UK Limited (as detailed within note 25 to the financial statements). Consequently, the profile of settling these liabilities will remain consistent with those anticipated as at the period end.

16 Deferred tax asset/(liability)

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

	2019 £000	2018 £000
Fixed asset temporary differences	(315)	(315)
Short term temporary differences	208	-
Losses and other deductions	1,062	198
	<u>955</u>	<u>(117)</u>

Movements in asset/(liability)

	£000
At 1 January 2019	(117)
Deferred tax credit in the income statement for the year	1,072
	<u>955</u>
At 31 December 2019	<u>955</u>

As disclosed in note 25 to the financial statements, the entirety of the trade and assets of the Company were sold to Hydro Aluminium UK Limited on 31 August 2020. This included all deferred tax assets and liabilities, for which book value was paid.

Notes (continued)

17 Pension Contribution

The company operates on a defined contribution plan for their pension policy. In 2019 the payments made from the company to their employees amounted to £569,000 (2018: £535,000).

18 Issued share capital and reserves

	2019 £000	2018 £000
<i>Allotted, called up and fully paid:</i>		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

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

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

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

19 Deferred Income - Government Grant

In 2017 Hydro Components UK Ltd were awarded a Government Grant by the Welsh government if they were able to meet certain criteria by set dates. These criteria were based on the purchasing of assets for setting up the new plant in Bedwas, Wales. In 2018 Hydro Components UK Ltd were awarded the first instalment of £225,000.

During 2019 Hydro Components UK Ltd were awarded a further £94,500. A total of £102,000 was recognised as income in 2019 accounts. There has been no change in accounting policy from 2018, the grant has been recognised under the income approach.

As at 31 December the remaining amount of deferred income is as follows:

	2019 £000
Recognisable within one year	56
In two to five years	112
	<u>168</u>

Notes (continued)

20 IFRS 16 – Leases as a lessee

The company adopted IFRS 16 as at the 1 January 2019 using the modified retrospective approach.

Right-of-use assets

	Land and buildings £000	Plant and equipment £000	Company vehicles £000	Total £000
Balance at 1 January 2019	-	-	-	-
Initial recognition of right-of-use assets	1,078	605	171	1,854
Depreciation charge for the year	(267)	(199)	(81)	(547)
Derecognition of right-of-use assets (note a)	-	-	(2)	(2)
Impairment	(665)	-	-	(665)
Balance at 31 December 2019	146	406	88	640

Note a – On 5 November 2019 the company decided to terminate the lease agreement on a company car. The remaining net book value of the right-of-use asset was derecognised, with a total value of £2,000.

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

2019 – Leases under IFRS 16

	£000
Interest expense on lease liabilities	34
Expenses relating to short-term leases	140

2018 – Operating leases under IAS 17

	£000
Lease Expense	665

21 IFRS 16 – changes in significant accounting policies.

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

37 (a) Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1.

Notes (continued)

21 IFRS 16 – changes in significant accounting policies. (continued)

37 (b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at:

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments:

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment)
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.51%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019
	£000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	1,130
Discounted using the incremental borrowing rate at 1 January 2019	2.24%
Finance lease liabilities recognised as at 31 December 2018	70
Lease liabilities recognised as at 1 January 2020	1,175

Notes (continued)

22 Provisions

	Employee related restructuring £000	Dilapidations £000	Other £000	Total £000
Balance at 1 January 2019	-	-	-	-
Charge during the year	1,700	800	2,606	5,106
Utilised during the year	(298)	-	-	(298)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	1,402	800	2,606	4,808
	<hr/>	<hr/>	<hr/>	<hr/>

Employee related restructuring provisions relate to costs arising from the restructuring to meet the future structure of the Company. £1,000,000 of these are expected to be utilised during the next financial year.

Other provisions relate to other costs associated with the closure of the Rotherham site and to move all the equipment and customer contracts to the Gloucester site. £1,000,000 of these are expected to be utilised during the next financial year.

23 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Hydro Holdings UK Limited. The ultimate controlling party is Norsk Hydro ASA, a company being incorporated in Norway.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Norsk Hydro ASA.

Copies of financial statements for Norsk Hydro ASA can be obtained from the company's registered office address, Drammensveien 264, N 0283 Oslo, Norway.

24 Related parties

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.

25 Subsequent Events

COVID-19

The impact of COVID-19 has been evolving throughout 2020 with most market sectors being affected globally. As disclosed in the Strategic report, in March 2020 the UK began to feel the full effects from Covid-19 with restrictions on travel, social interaction and the forced closure of some sectors of the economy on a temporary basis. The automotive markets remain uncertain in the short term as visibility remains low as the effects of COVID continue to fluctuate.

Sale of trade and assets of Hydro Components UK Limited

In 2020, the decision was made to sell all the trade and assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly known as Hydro Extrusion UK Limited). Prior to the sale, Hydro Components UK Limited received a capital injection of £2,500,000 from Hydro Holdings UK Limited (company number 03317493). The final sale of Hydro Components UK Limited took place on the 31 August 2020, the trade and net assets were sold at their net book value of £2,900,000. The transfer would not be settled in cash but rather that the benefit of the Purchase Price of the Seller would be assigned to the parent of the seller, Hydro Holdings UK Limited via a dividend in specie arrangement.