

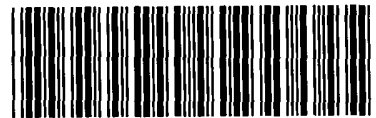
12 March 2021

Hydro Aluminium UK Limited
(formerly Hydro Extrusion UK Limited)

**Annual report and financial
statements**

Registered number 00961843
31 December 2019

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Company information

Directors

PM Paiagua
A Russell
K Andryszek
P Chmielewski

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 2019.

Principal activity and review of the business

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

As shown in the company's Statement of Comprehensive Income on page 10, the company's sales have decreased by £28m (-18%) against the prior year.

There is an decrease in Gross profit of by £4.2m with an associated increase in Gross Profit % (from 18.7% to 19.5%) partly driven by a change in customer mix and also from the change in strategy which changed from volume focused to target spread increases. Operating profit reduced in 2019 by £3.2m to a profit of £1.3m.

The outlook for 2021 is challenging as economic uncertainty persists as a result of the 2016 EU referendum ('Brexit') which took place in June 2016. There is also the impact of the Covid-19 pandemic which continues to impact the world and is causing more uncertainty in the market.

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 - July 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.

Following a review of the manufacturing footprint in the UK a decision has been taken to close the Redditch site and to move all the equipment and customer contracts to the Bedwas site. This allows the business to consolidate all activities on one site and makes the business more streamlined, thus reducing the duplication of overheads currently paid on both sites. The total provision recognised in the year in relation to the above was £1,205,000.

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)*

Principal risks and uncertainties *(continued)*

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.

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.

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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)*

S172 *(continued)*

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.

12.03.21

This report was approved by the board on ~~[date]~~ and signed on its behalf by:



A Russell

Director

Directors' report

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

Change of Company Name

In 2020 with the planned acquisition of Hydro Components UK Limited assets and liabilities the name was agreed to be changed to Hydro Aluminium UK Ltd.

Profit before tax

The profit for the year after taxation amounted to £3,006,000 (2018 - £6,191,000). 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 buy 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.

Also as disclosed in the Strategic report during the year the decision was to commence in further restructuring of the footprint in the UK. Which was the decision to close the Redditch site and to move all the equipment and customer contracts to the Bedwas site. This allows the business to consolidate all Fabrication activities on one site and makes the business more streamlined. Thus reducing the duplication of overheads currently paid on both sites. The total provision recognised in the year in relation to the above was £985,000. Also, an impairment of the Redditch site right-of-use asset was recognised in 2019 accounts, total value £220,000.

Training and development

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:

PM Paigua	
RC Ablett	(Resigned 31 August 2020)
DJ Williams	(Resigned 31 August 2020)
A Russell	(Appointed on 31 August 2020)
K Andryszek	(Appointed on 31 August 2020)
P Chmielewski	(Appointed on 31 August 2020)

Directors' report *(continued)*

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.

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.

12.03.21

This report was approved by the board of directors on ~~[date]~~ and was signed on its behalf by



A Russell
Director

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 Aluminium UK Limited

Opinion

We have audited the financial statements of Hydro Aluminium UK Limited ("the company") for the year ended 31 December 2019 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 2019 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.

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 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 Aluminium 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 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.

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.

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: 12.03.21

Statement of comprehensive income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	3	128,653	156,930
Cost of sales		(103,565)	(127,660)
		<hr/>	<hr/>
Gross profit		25,088	29,270
Other operating income		1,541	1,944
Distribution costs		(3,917)	(4,547)
Administrative expenses		(21,430)	(22,202)
		<hr/>	<hr/>
Operating profit	4	1,282	4,465
Interest receivable and similar income	7	2,178	1,667
Interest payable	8	(182)	(45)
		<hr/>	<hr/>
Profit before taxation		3,278	6,087
Tax on profit	9	(272)	104
		<hr/>	<hr/>
Profit after tax		3,006	6,191
		<hr/>	<hr/>
Other comprehensive income			
<i>Other comprehensive income for the year, net of tax</i>			
Actuarial gain in pension scheme	18	3,901	7,600
Deferred tax on pension surplus	9	(1,872)	(2,197)
		<hr/>	<hr/>
Total comprehensive income for the year		5,035	11,594
		<hr/>	<hr/>

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

Statement of financial position
at 31 December 2019

	<i>Note</i>	2019	2018 (Restated)*
		£000	£000
Non-current assets			
Intangible assets	10	6,472	6,472
Tangible assets	11	26,756	25,287
Defined benefit pension scheme surplus	18	75,032	69,682
		<hr/> 108,260	<hr/> 101,441
Current assets			
Stocks	12	8,430	16,272
Debtors	13	58,751	55,424
Cash at bank and in hand		149	359
		<hr/> 67,330	<hr/> 72,055
Current liabilities			
Trade and other payables	14	(23,442)	(32,604)
Lease liabilities	15	(1,340)	
		<hr/>	<hr/>
Net current assets		42,548	39,451
Total assets less current liabilities		<hr/> 150,808	<hr/> 140,892
Non-current liabilities			
Lease liabilities	15	(2,872)	-
Provisions for liabilities			
Other		(22)	(3)
Restructuring provision	16	(118)	-
Deferred tax liability	9	(26,261)	(24,389)
		<hr/>	<hr/>
Net assets		121,535	116,500
Capital and reserves			
Called up share capital	17	99,256	99,256
Capital contribution		20,763	20,763
Profit and loss account		1,516	(3,519)
		<hr/>	<hr/>
Shareholders' funds		121,535	116,500

* See note 13 for the details.

12.03.21

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



A Russell
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 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)
At 31 December 2018	99,256	20,763	(3,519)	116,500

	Called up share capital £000	Capital contribution £000	Retained earnings £000	Total £000
At 1 January 2019	99,256	20,763	(3,519)	116,500
Total other comprehensive income:				
Profit for the year	-	-	3,006	3,006
Actuarial gain on pension scheme	-	-	3,901	3,901
Deferred tax on surplus	-	-	(1,872)	(1,872)
At 31 December 2019	99,256	20,763	1,516	121,535

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 1.4.

Notes (continued)

1 Accounting policies (continued)

1.1 Change in accounting Convention

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 19 for further details.

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

(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 (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 (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 (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 (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 Critical accounting 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 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.

1.5 Significant accounting policies

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

1.6 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 the Company has satisfied its performance obligation on the sales contract, usually on dispatch of the goods to the customer.

1.7 Other Operating Income

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

Notes (continued)

1 Accounting policies (continued)

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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)

1.13 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.

1.14 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.

1.15 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 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.

Notes (continued)

1 Accounting policies (continued)

1.16 Leases (policy applicable after 1st January 2019) (Continued)

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.

1.17 Pensions

The company participates in the Hydro 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)

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

The financial statements of Hydro Aluminium 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 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 Aluminium 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

For the purposes of the directors' assessment of the Company's going concern position and to satisfy them of the Company's ability to pay its liabilities as they fall due, the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The company has been profitable and cash generative in the year to 31 December 2019.

The company lends all surplus cash generated by the business to the group's cash pooling arrangement. The cash pooling arrangements are on a flexible basis with no fixed repayment terms.

The forecasts indicate that, after taking account of severe but plausible downsides including the impact of the COVID-19 pandemic, the company's existing resources are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period. The prepared forecasts assumes no use of the cash balances it has made/will make available to the group's cash pooling arrangement over the going concern period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (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:

	2019 £000	2018 £000
United Kingdom	120,664	147,573
Europe	7,870	9,327
Rest of the world	119	30
	<u>128,653</u>	<u>156,930</u>

All turnover activity related to the sale of goods.

4 Operating profit

This is stated after charging/(crediting):

	2019 £000	2018 £000
Auditor's remuneration – audit of these financial statements	56	56
Depreciation	3,445	2,535
Foreign exchange (gain)/loss	(132)	69
Gain on forward commodity contracts	281	518
Site closure costs recognised as a provision (note 16)	985	-
Impairment of Right-of-Use asset	220	-
Loss on fixed assets disposal	1,607	-
Receipt on insurance claim	500	3,209
	<u>78</u>	<u>686</u>

Gain on forward commodity contracts represents the fair value on forward commodity derivative contracts (note 20).

The site closure costs include redundancy costs, dilapidation and legal costs.

The other operating income represents income from the sale of scrap produced in the manufacturing process of the Company.

Notes *(continued)*

5 Directors' remuneration

	2019 £000	2018 £000
Remuneration	462	408
Pension contributions	18	16
	<u>480</u>	<u>424</u>

Remuneration of the highest paid director:

	2019 £000	2018 £000
Remuneration	305	270
Pension contributions	12	11
	<u>317</u>	<u>281</u>

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

6 Staff costs

	2019 £000	2018 £000
Wages and salaries	18,546	18,407
Social security costs	1,769	1,837
Pension costs (note 18)	1,266	1,129
	<u>21,581</u>	<u>21,373</u>

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

	Number of employees	
	2019	2018
Production	427	434
Sales and distribution	40	43
Administration	69	69
	<u>536</u>	<u>546</u>

Notes (continued)

7 Interest receivable and similar income

	2019 £000	2018 £000
Bank interest	159	89
Net interest on defined benefit surplus (note 18)	2,019	1,578
	<u>2,178</u>	<u>1,667</u>

8 Interest payable

	2019 £000	2018 £000
Bank interest	56	-
Lease interest	90	-
Other interest	36	45
	<u>182</u>	<u>45</u>

9 Taxation

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

	2019 £000	2018 £000
<i>Current tax:</i>		
Current tax for the year at 19% (2018: 19%)	116	658
Adjustments in respect of prior periods	20	(16)
	<u>136</u>	<u>642</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	128	(760)
Adjustments in respect of prior periods	8	14
	<u>136</u>	<u>(746)</u>
Total tax charge / (credit)	<u>272</u>	<u>(104)</u>

Tax included in the statement of other comprehensive income

	2019 £000	2018 £000
Deferred tax in respect of the defined benefit pension plan	(1,872)	(2,197)
Total tax in the statement of other comprehensive income	<u>(1,872)</u>	<u>(2,197)</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% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit for the year	3,006	6,191
Tax charge/(credit)	272	(104)
Profit before tax	3,278	6,087
 Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	 623	 1,156
<i>Effects of:</i>		
Non-taxable income	(275)	-
Expenses not deductible for tax purposes	105	374
Adjustment in respect of prior periods	28	(2)
Movement in deferred tax not recognised	(174)	(1,540)
Effect of changes in tax rate	(35)	(92)
Tax on profit	272	(104)

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 2019	2,970	(24,389)	(21,419)
Current year charge to the income statement	(136)	-	(136)
Current year charge to other comprehensive income	-	(1,872)	(1,872)
At 31 December 2019	2,834	(26,261)	(23,427)

The deferred tax assets of £2,834,000 is presented within debtors (see note 13). Included within deferred tax assets are £2,040,000 of carried forward trading losses and £794,000 of other short term timing differences, primarily being on the timing differences between depreciation and capital allowances on tangible fixed assets.

The deferred tax liabilities of £26,261,000 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 represents a 35% deferred tax liabilities on the surplus, being an "authorised surplus payment charge". An amount of £1,872,000 (2018: £2,197,000) has been charged to other comprehensive income.

Deferred taxation assets relating to carried forward trading losses and other temporary differences of £3,039,000 (2018: £3,232,000) have not been accounted for on the basis of uncertainty regarding their recoverability.

Notes (continued)

9 Taxation (continued)

Factors that may affect future tax charges

The 2020 Budget announced that the UK corporation tax rate will no longer reduce to 17% from 1 April 2020 and will remain at 19%. The deferred tax asset has been calculated at 17% as this rate has been substantively enacted at the Balance Sheet date. Had the 19% been substantively enacted on or before 31 December 2019 it would have had the effect of increasing the deferred tax asset by £333,000.

10 Intangible fixed assets

	Goodwill £000
<i>Cost:</i>	
At 1 January 2019 and 31 December 2019	6,472

The Directors have assessed the goodwill balance for impairment, based on approved forecasts and a long-term growth rate for the period beyond the approved forecast period of 1%. These cash flows have been discounted using a weighted average cost of capital of 6.25%. Following the completion of this impairment review, the Directors concluded that no impairment charge was required.

11 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Office equipment £000	Right of use Asset £'000	Total £000
<i>Cost:</i>					
At 1 January 2019	27,662	57,349	2,595	-	87,606
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	4,767	4,767
Additions	94	1,353	-	737	2,184
Disposals	-	(2,529)	-	(447)	(2,976)
Reclass	(26)	26	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	27,730	56,199	2,595	5,057	91,581
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>					
At 1 January 2019	15,262	44,526	2,531	-	62,319
Charge for the year	516	1,734	31	1,164	3,445
Impairment	-	-	-	220	220
Disposals	-	(897)	-	(262)	(1,159)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	15,778	45,363	2,562	1,122	64,825
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>					
At 31 December 2019	11,952	10,836	33	3,935	26,756
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	12,400	12,823	64	-	25,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Stocks

	2019 £000	2018 £000
Raw materials and consumables	5,966	12,461
Work in progress	641	1,068
Finished goods	1,823	2,743
	<u>8,430</u>	<u>16,272</u>

Total inventory expensed through the statement of comprehensive income for 2019 is £85,156,000 (2018: £104,117,000).

13 Debtors

	2019 £000	Restated 2018 £000
Trade debtors	21,509	28,428
Amounts owed by group undertakings	34,193	23,466
Other financial assets	72	297
Prepayments	143	263
Deferred tax (note 9)	2,834	2,970
	<u>58,751</u>	<u>55,424</u>

Other financial assets represent the fair value of forward commodity derivative contracts (note 20).

Included within amounts owed by Group undertakings is £28,695,000 (2018: £19,130,000) of cash which is held in a cash-pooling facility with the parent undertaking, that is accessible on demand.

Prior year adjustment

The company is part of the group's cash pooling arrangement, administered by the group's treasury department. At the end of each day, any cash held by the company is transferred to the group and if the company is in an overdraft position it receives money from the group, so that the balance in the company's bank account at the end of each day is nil and they have a receivable or payable from the group.

In the prior year, the receivable due from the group in relation to the arrangement at 31 December 2018 of £19,130,000 was included in 'cash at bank and in hand' in the balance sheet. During the year ended 31 December 2019 these amounts have been reclassified to "Amounts owed by group undertakings" to more accurately reflect the nature of this balance. The comparatives presented in these financial statements have therefore been restated.

The effect of the restatement on these financial statements is to increase debtors (amounts owed by group undertakings) by £19,130,000 to £23,466,000 and decrease cash at bank and in hand by £19,130,000 to £359,000 at 31 December 2018. There was no impact on net assets at 31 December 2018, nor on profit for the year then ended, nor on the opening net assets at 1 January 2018.

Notes (continued)

14 Trade and other payables

Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	11,528	19,855
Amounts owed to group undertakings	7,280	6,750
Other taxes and social security costs	2,633	2,191
Accruals and deferred income	2,001	2,355
	<u>23,442</u>	<u>32,604</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 (2018: *£nil*).

Other financial liabilities represent the fair value of forward commodity derivative contracts (note 20).

15 Lease liabilities

	2019 £000	2018 £000
Lease liabilities due within one year	1,340	-
Lease liabilities due in more than one year	2,872	-
	<u>4,212</u>	<u>-</u>

16 Restructuring provision

	2019 £000
Balance at 1 January 2019	-
Provisions made during the year	985
Provisions used during the year	(867)
	<u>118</u>
Balance as at 31 December 2019	<u><u>118</u></u>

The site closure costs include redundancy, dilapidation and legal costs.

17 Issued share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid:</i>		
99,255,825 ordinary shares of £1 each	99,256	99,256
	<u>99,256</u>	<u>99,256</u>

Notes (continued)

18 Pensions

On 30 June 2014, it was agreed that the Company be appointed to replace Hydro Holdings UK Limited as the Principal Employer of the Hydro 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 2019 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 £301,782,000 (2018: £270,550,000) and the actuarial value was sufficient to cover 129% (2018: 128%) of the benefit that had accrued to members after allowing for the effects of assumed future salary increases.

In 2019 a surplus of £75,032,000 (2018: surplus of £69,682,000) has been recognised in respect of the defined benefit pension plan, before the impact of the authorised surplus payment charge.

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

	2019 £000	2018 £000
<i>Scheme assets at fair value:</i>		
Global equities	91,658	78,621
Property	15,278	15,582
Corporate bonds	39,001	34,525
Index linked gilts	94,153	92,627
Liability driven investment fund	33,250	32,525
Multi asset income	19,495	16,073
Cash	7,514	597
Insureds	1,433	-
	<hr/>	<hr/>
Fair value of scheme assets	301,782	270,550
Present value of scheme liabilities	(226,750)	(200,868)
	<hr/>	<hr/>
Defined benefit pension plan surplus	75,032	69,682
	<hr/>	<hr/>
Authorised surplus payment charge, presented within deferred tax liabilities	(26,261)	(24,389)
	<hr/>	<hr/>
Net defined benefit pension plan surplus	48,771	45,293
	<hr/>	<hr/>

Notes (continued)

18 Pensions (continued)

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.

Insureds represent the value of annuities purchased in the name of the Trustee, which fully provide the pension benefits for certain members. These were previously included in the financial statements at nil value as they were deemed by the Trustee as immaterial to the value of the net assets of the Scheme. However to give more clarity to the Scheme's funding position, it was decided that from the Scheme year end 31 March 2019 onwards, the Scheme's annuity policies should be included in the financial statements at the value of the related obligation to pay future benefits funded by these policies. The £1,443,000 therefore represents an increase in the value of the Scheme's assets equal to the value of the corresponding liabilities, and given that this represents such a small proportion of the Scheme's total assets and liabilities, no adjustment in respect of prior periods has been recorded.

	2019 £000	2018 £000
<i>Amounts recognised in the income statement:</i>		
Current service cost	375	404
Administration expenses	546	480
Past service cost	-	2,392
	<hr/>	<hr/>
Recognised in arriving at operating profit	921	3,276
	<hr/>	<hr/>
Net interest on defined benefit surplus	(2,019)	(1,578)
	<hr/>	<hr/>
	2019 £000	2018 £000
<i>Taken to statement of comprehensive income</i>		
Return on plan assets in excess of/(below) that recognised in net interest	31,128	(9,478)
Actuarial (losses)/gains arising from changes in financial assumptions	(26,892)	15,487
Actuarial (losses)/gains arising from changes in demographic assumptions	(335)	1,591
	<hr/>	<hr/>
Gain recognised in statement of comprehensive income	3,901	7,600
	<hr/>	<hr/>

Notes (continued)

18 Pension (continued)

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

	2019 £000	2018 £000
As at 1 January	200,868	216,432
Current service cost	375	404
Interest cost	5,717	5,344
Contributions by scheme participants	98	110
Actuarial losses/(gains) arising from changes in financial assumptions	26,892	(15,487)
Actuarial losses/(gains) arising from changes in demographic assumptions	335	(1,591)
Benefits paid	(7,535)	(6,736)
Past service cost	-	2,392
Defined benefit obligation at 31 December	226,750	200,868

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

	2019 £000	2018 £000
As at 1 January	270,550	279,838
Interest income on plan assets	7,736	6,922
Return on scheme assets excluding interest income	31,128	(9,478)
Contributions by employer	351	374
Contributions by employee	98	110
Benefits paid	(7,535)	(6,736)
Administration expenses paid	(546)	(480)
Fair value of plan assets at 31 December	301,782	270,550

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.

	2019 %	2018 %
<i>Main assumptions:</i>		
RPI inflation	2.95	3.20
Discount rate	2.05	2.90
Future salary increases	2.95	3.20
Statutory revaluation (CPI inflation)	1.85	2.10
Future pension increases (CPI min 3% pa, max 5% pa)	3.10	3.20
Future pension increases (CPI max 5% pa)	1.90	2.10
Future pension increases (CPI with max 2.5% pa)	1.65	1.70
Future pension increases (RPI with max 5% pa)	2.90	3.10
Future pension increases (CPI max 3% pa)	1.75	-

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 2018 projection with a 1.25% p.a long-term trend rate
from 2007onwards (for 2018-CMI 2017 projection with a
1.25% p.a long-term trend from 2007 onwards)

Notes (continued)

18 Pensions (continued)

Discount rate

The discount rate is calculated using the yields available on high quality corporate bonds (in line with the Buck corporate bond yield curve) and projected Scheme cash flows. A similar approach was used for the 31 December 2018 disclosure, albeit using a corporate bond yield curve derived by Aon.

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 2019	226,750
Discount rate increased by 0.5% pa	207,482
Discount rate reduced by 0.5% pa	248,671
Inflation increased by 0.5% pa	237,045
Inflation reduced by 0.5% pa	217,339
Salary increase assumption increased by 0.5%	227,330
Salary increase assumption decreased by 0.5%	226,205
Life expectancy increased by 1 year	237,114
Life expectancy reduced by 1 year	216,504

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 2020.

The Company made regular contributions to the scheme during the year of £251,000 (2018: £274,000). An augmentation of £100,000 (2018: £100,000) was also paid during the year.

The Hydro 1988 Pension Scheme, ('the Scheme') is a legacy defined benefit scheme that is closed to new members so that the Company operates a defined contribution plan for the rest of its employees.

The company contributions to the defined contribution pension scheme are charged to the income statement in the year they become payable. 2019: £1,266,000, (2018: £1,129,000). Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes (continued)

19 IFRS 16 – Leases as a lessee

The company decided to adopt IFRS 16 as at the 1st January 2019.

Right-of-use assets

	Land and Buildings £000	Plant and Equipment £000	Company vehicles £000	Total £000
Balance at 1 st January 2019	1,576	2,849	342	4,767
Additions to right-of-use assets	-	550	186	736
Depreciation charge for the year	(114)	(811)	(239)	(1,164)
Impairment	(220)	-	-	(220)
Disposal	(164)	(10)	(10)	(184)
Balance at 31 December 2019	1,078	2,578	279	3,935

Amounts recognised in profit or loss

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

	£000
2019 - Leases under IFRS 16	
Interest expense on lease liabilities	90
	<hr/>
	£000
2018 - Operating leases under IAS 17	
Lease expense	1,647

Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective method. 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.

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.

Notes (continued)

19 IFRS 16 – Leases as a lessee (continued)

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	4,454
Discounted using the incremental borrowing rate at 1 January 2019	2.51%
Extension options reasonably certain to be exercised	425
Lease liabilities recognised as at 1 January 2019	4,767

Notes (continued)

20 Financial instruments

	2019 £000	2018 £000
Forward commodity derivative contracts	8,839	4,215

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 £72,000 asset included in "Other financial assets" note 13 (2018: £297,000) and a £227,000 liability included in "Other financial liabilities", note 14 (2018: £1,453,000).

21 Ultimate parent undertaking and controlling party

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

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company became a member on 2 October 2017 is Norsk Hydro ASA, prior to that it was Hydro Extruded Solutions AS.

22 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.

23 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 extrusion market looks like it is recovering but the market still continues to be uncertain in the short term as visibility remains low as the effects of COVID continue to fluctuate.

Buying of Hydro Components UK Limited

In 2020, the decision was made to buy all the trade and assets of Hydro Components UK Limited to Hydro Aluminium UK Limited (formerly known as Hydro Extrusion UK Limited). The final sale of Hydro Components UK Limited took place on the 31 August 2020, the trade and net assets were sold at net book value for £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.