Hydro Components UK Limited

Annual report and financial statements

Registered number 06249930

31 December 2018

Contents

Company information

Directors	RC Ablett P Chemielewski D 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 2018.

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:

	2018	2017	Change
	£000	£000	%
Turnover	57,320	60,896	-5.87%
Operating profit	(7,435)	3,800	-295.68%
Profit after tax	(6,397)	2,829	-326.09%
Shareholders' funds	8,273	14,670	-43.61%

Turnover has decreased by £3,576,000 in the year, although several new customer projects started in 2016 and 2017 and continue to grow through 2018 we have seen some existing products reducing due to the current model coming to end of life. We have seen in 2018 also a weakening with some automotive customers due to market demand and changes in legislation. At the end of 2017 the business started to produce some new products, the start-up was not as expected and this resulted in some operational inefficiencies in the first half of 2018 which had a significant impact on the 2018 result. We have also been notified during the year that we will not be awarded the repeated business on one of our main products when the new vehicle is introduced, the existing business will run until 2020.

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.

Significant events during the year

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

Principal risks and uncertainties

The company is disproportionally 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.

Strategic report *(continued)*

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.

This report was approved by the board on 06/12/19 and signed on its behalf by:

D Williams

Director

Directors' report

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

Results and dividends

The loss for the year after taxation amounted to £6,397,000 *(2017: profit of £2,829,000)*. The directors do not recommend a final dividend *(2017: £nil)*.

Future developments

The newly reopened site Bedwas in South Wales will continue to support the growth of the LEVC TXS vehicle, focusing on E-Mobility, anodising and fabrication.

The company during the year has carried out a review of its activities, there is currently a proposal to consolidate the Rotherham and Gloucester production facility, the proposal is to move the activities during 2020.

Training and development

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

Research and development

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

Going concern

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

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

Since the yearend Norsk Hydro has converted £10,000,000 of the short term overdraft into a 2 year fixed term loan, this has been done to mitigate the risk from the short term overdraft.

Consequently, the directors are confident that the company has sufficient funds to continue to meet its liabilities as they fall due for at least the next 12 months from the date of approval of the financial statement. Thus, they continue to adopt the going concern basis of accounting 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:

RC Ablett	(appointed 10 October 2018)
ARG Couturier	(resigned 3 August 2018)
S Meeuwussen-True	(resigned 13 July 2018)
P Chemielewski	(appointed 3 August 2018)
D Williams	(appointed 13 July 2018)
CL Butler	(resigned 1 November 2018)

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 of directors on 06/12/19 and was signed on its behalf by

D Williams
Director

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.

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.

KPMG

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 2018 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 2018 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.

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

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

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

Going concern

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those 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.

KPMG

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

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

Auditor's responsibilities

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

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

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

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: 06/12/19

Profit and loss account and other comprehensive income
for the year ended 31 December 2018

	Note	**2018** **£000**	2017 £000
Turnover	4	**57,320**	60,896
Cost of sales		**(43,627)**	(42,977)
Gross profit		**13,693**	17,919
Other income		**1,470**	560
Distribution costs		**(5,214)**	(5,799)
Administrative expenses		**(17,384)**	(10,880)
Operating (loss)/profit	5	**(7,435)**	3,800
Interest payable and similar charges	8	**(425)**	(306)
Profit on asset disposal		**10**	-
(Loss)/profit before taxation		**(7,850)**	3,494
Tax on (loss)/profit	9	**1,453**	(665)
(Loss)/profit for the financial year and total comprehensive income		**(6,397)**	2,829

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

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

Balance sheet
at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Non-current assets					
Intangible assets	*10*		9		1,462
Tangible assets	*11*		16,449		13,661
			16,458		15,123
Current assets					
Stocks	*12*	5,591		4,444	
Debtors	*13*	18,557		17,931	
Cash at bank and in hand		2		-	
		24,150		22,375	
Creditors: amounts falling due within one year	*14*	(25,207)		(15,637)	
Net current (liabilities)/assets			(1,057)		6,738
Total assets less current liabilities			15,401		21,861
Creditors: amounts falling due after more than one year	*15*		(7,011)		(6,951)
Provisions for liabilities: deferred tax liability	*16*		(117)		(240)
Net assets			8,273		14,670
Capital and reserves					
Called up share capital	*18*		1		1
Share premium			444		444
Capital contribution			6,346		6,346
Profit and loss account			1,482		7,879
Shareholders' funds			8,273		14,670

These financial statements were approved by the board of directors on 06/12/19 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 2017	1	444	6,346	5,050	11,841
Total other comprehensive income:					
Profit for the year	-	-	-	2,829	2,829
At 31 December 2017	**1**	**444**	**6,346**	**7,879**	**14,670**

	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 other comprehensive income:					
Loss for the year	-	-	-	(6,397)	(6,397)
At 31 December 2018	**1**	**444**	**6,346**	**1,482**	**8,273**

Notes
(forming part of the financial statements)

1. Accounting policies

1.1. Basis of preparation

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

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

The Directors have assessed the impact of the adoption of IFRS 15 and IFRS 9 on the Company. The results of our assessment indicate that the impact on the financial statements of the adoption of IFRS15 and IFRS 9 has not resulted in a material adjustment to the accounts for the year ending 31 December 2018.

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.

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

(i) *Recognition and initial measurement*

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

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

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

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

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 (policy applicable from 1 January 2018) (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 (policy applicable from 1 January 2018) (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 (policy applicable from 1 January 2018) (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)*

1.4. Impairment of non-financial assets excluding stocks, [investment properties] 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.

1.5. 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.

1.6. Expenses

Operating lease payments

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.

1.7. 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.

1.8. 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.

1.9. Adopted IFRS not yet applied

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.10. Going Concern

Notwithstanding net current liabilities of £1,057,000 as at 31 December 2018, a loss for the year then ended of £6,397,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through intercompany pooling arrangements with its intermediate parent company, Hydro ASA, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hydro ASA not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £16,098,000, of which £13,709,000 represents the group overdraft (under the intercompany cash pooling arrangement of the Hydro ASA Group). After year end, the Company received a group loan of £10,000,000 in order to settle this amount of the group overdraft. The maturity date of this loan is October 2022.

As noted above, the Company is party to an intercompany cash pool arrangement within the wider Hydro ASA Group and it is reliant on the ongoing availability of this facility. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Goodwill

Goodwill is initially measured at cost being the excess of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The impact of applying this override is a reduction of £292,000 in amortisation expenses per year.

1.11. 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.

1.12. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. 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.

1.14. 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.

1.15. 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.

1.16. 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 2018 were authorised for issue by the board of directors on the date shown on the balance sheet, which was signed on the board's behalf by 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.

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.

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:

Estimation techniques - prototype costing

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

Notes *(continued)*

4. Turnover

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

	2018 £000	2017 £000
United Kingdom	39,472	44,193
Europe	17,848	16,703
	57,320	60,896

All turnover activity related to the sale of goods.

5. Operating (Loss)/profit

This is stated after charging/(crediting):

	2018 £000	2017 £000
Auditor's remuneration – audit of these financial statements	54	68
Depreciation – owned assets	2,026	1,248
Depreciation of fixed assets under finance leases	108	108
Operating lease payments – plant and machinery	149	99
Other hire of plant and machinery	333	333
Foreign exchange gain	192	175
Write down of stocks to net realisable value	32	16
Impairment	1,453	-

6. Directors' remuneration

	2018 £000	2017 £000
Remuneration	171	340
Pension contributions	11	14
	182	354

Remuneration of the highest paid director:

	2018 £000	2017 £000
Remuneration	171	227
Pension contributions	11	7
	182	234

The number of directors who are members of a defined benefit scheme is Nil *(2017: None)*. The two directors at the end of 2018 D Williams and P Chemielewski are paid by another group company, Hydro Extruded Solutions AS and RC Ablett by Hydro Extrusion UK Ltd. 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 2017 there were two directors paid through Hydro Components UK Ltd.

Notes *(continued)*

7. Staff costs (including directors' remuneration)

	2018 £000	2017 £000
Wages and salaries	12,375	8,423
Social security costs	1,255	884
Pension costs (note 17)	535	409
	14,165	9,716

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

	Number of employees 2018	2017
Production	263	168
Office and administration	121	104
	384	272

8. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable on inter-company loans	221	235
Bank interest	204	71
	425	306

9. Taxation

Tax charged in the statement of comprehensive income

	2018 £000	2017 £000
Current tax:		
Current tax for the year at 19% *(2017: 19.25%)*	-	514
Group relief payable	(1,338)	-
Adjustments in respect of prior years	8	-
	(1,330)	514
Deferred tax:		
Origination and reversal of timing differences	(115)	151
Adjustments in respect of prior periods	(8)	-
	(1,453)	665

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of total tax charge

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

	2018 £000	2017 £000
(Loss)/Profit for the year	(6,397)	2,829
Tax (Credit)/charge	(1,453)	665
(Loss)/Profit before tax	(7,850)	3,494
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*	(1,491)	672
Effects of:		
Expenses not deductible for tax purposes	38	13
Effect of changes in tax rate	-	(20)
Tax on (loss)/profit	(1,453)	665

Factors that may affect future tax charges

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

10 Intangible fixed assets

	Goodwill £000
Cost:	
Balance At 1 January 2018	1,462
Impairment charge	(1,453)
Balance At 31 December 2018	9

During 2018, the directors reviewed the carrying value of the intangible fixed assets. The directors believed that an impairment is required in the financial statements at 31 December 2018 based on the sales contracts purchased coming to the end of their life.

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery and tools £000	Fixtures fittings and equipment £000	Finance lease assets £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost:							
At 1 January 2018	3,306	14,709	416	960	123	1,939	21,453
Additions	1,108	1,475	-	-	-	2,428	5,011
Disposals	-	(425)	-	-	(123)	-	(548)
Transfer	-	1,939	-	-	-	(1,939)	-
At 31 December 2018	4,414	17,698	416	960	-	2,428	25,916
Accumulated depreciation:							
At 1 January 2018	632	5,949	416	774	21	-	7,792
Provision for depreciation	60	1,953	-	108	13	-	2,134
Disposals	-	(425)	-	-	(34)	-	(459)
	692	7,477	416	882	-	-	9,467
Net book value:							
At 31 December 2018	**3,722**	**10,221**	-	**78**	-	**2,428**	**16,449**
At 31 December 2017	2,674	8,760	-	186	102	1,939	13,661

Assets under construction

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

12 Stocks

	2018 £000	2017 £000
Raw materials and consumables	3,008	2,529
Work in progress	1,251	1,138
Finished goods	1,332	777
	5,591	4,444

During the year the amount of stock recognised as an expense in the profit and loss and other comprehensive income statement was £43,627,436 *(2017: £42,977,090).*

Notes *(continued)*

13 Debtors

	2018 £000	2017 £000
Trade debtors	12,110	11,944
Amounts owed by group undertakings	1,532	318
Other debtors	4,660	5,192
Group cash pool	-	169
Prepayments and accrued income	255	308
	18,557	17,931

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	5,431	6,967
Amounts owed to group undertakings	16,098	2,994
Corporation tax	-	514
Other taxes and social security costs	316	274
Other creditors	105	366
Accruals and deferred income	3,142	4,436
Finance leases	70	86
Deferred Income (note 20)	45	-
	25,207	15,637

Within the amounts owed to group undertakings is £13,709,000 which is owed to Hydro ASA (the ultimate parent company of Hydro Components UK Limited) under a cash pooling arrangement.

15 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Finance leases	-	70
Amounts owed to group undertakings	6,881	6,881
Deferred Income (note 20)	130	-
	7,011	6,951

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.

Notes *(continued)*

16 Provisions for liabilities

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

	2018 £000	2017 £000
Accelerated capital allowances	**(117)**	(240)

Movements in liability

	£000
At 1 January 2018	(240)
Deferred tax credit in the income statement for the year	123
At 31 December 2018	**117**

17 Pension Contribution

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

18 Issued share capital and reserves

	2018 £000	2017 £000
Allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	**1**	1

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

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

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

Notes *(continued)*

19 Financial commitments

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

	2018 Land and buildings £000	2018 Other £000	2017 Land and buildings £000	2017 Other £000
Future minimum lease payments due under non-cancellable operating leases				
Payable within one year	**386**	**102**	333	71
In two to five years	**550**	**92**	282	35
More than five years	**-**	**-**	-	-
	936	**194**	615	106

	2018 £000	2017 £000
Future minimum lease payments due under finance leases		
Not later than one year	**85**	106
After one year but not more than two years	**-**	85
	85	191
Less finance charges allocated to future periods	**(15)**	(35)
	70	156

	2018 £000	2017 £000
The present value of minimum finance lease payments is analysed as follows:		
Not later than one year	**70**	86
After one year but not more than two years	**-**	70
	70	156

Notes *(continued)*

20 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 2018 the directors have reviewed the accounting policy and have recognised the grant under the income approach. The income has been recognised on the same basis as the asset is depreciated; however, the grant was awarded based on purchased assets in 2017 so the portion that was related to 2017 has been recognised in full in the 2018 accounts. Therefore £49,686 has been recognised as income in the 2018 accounts.

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

	2018
	£000
Recognisable within one year	45
In two to five years	130
	175

21 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.

22 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.

23 Subsequent Events

Restructuring

On the 12 August 2019, it was announced that it was Hydro's intention to close the Rotherham site. The business was reviewed to ensure that they were able to maintain a competitive place in the market and continue to be efficient in the running of both sites. Due to the significant reduction in the long-term sales forecast meant that it was not justified to have production in two sites. Hydro expects the restructuring associated with the reduction of one site to cost as an estimate £1.7m in 2019/2020.