Hydro Aluminium Deeside Limited

Strategic report, Directors' report and financial statements

Registered number 01786117

For the year ended 31 December 2019

Contents

Officers and professional advisors

Directors

S M Bairstow (resigned 08.06.2020)
J W Clifton (appointed 08.06.2020)
R Scharf-Bergmann
I Hexeberg

Secretary

D J Morear

Registered office

Bridge Road
Wrexham Industrial Estate
Wrexham
LL13 9PS

Banker

Commerzbank A.G.
London Branch
30 Gresham Street
London
EC2P 2XY

JP Morgan Chase Bank NA
25 Bank Street
Canary Wharf
London
E14 5JP

Auditor

KPMG LLP
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

Strategic report

Business review

This year has seen strong financial performance by the company despite a challenging series of events. Whilst maintaining an excellent safety record by avoiding any TRI's (Total Recordable Incident's), the plant had to battle a Global Cyber attack to the Group's ISIT systems in March 2019 and the following month, April incurred a major fire to its hydraulic packs that caused a 3 week halt to production and a further 2 months of reduced capacity until operations could return to normal. Thankfully there were no injuries or loss of data from either of these 2 events and the company had adequate insurance policies in place to compensate it financially.

Prior to these events, in January and February of 2019 the company was able to complete its "Single Drop" project which had commenced part way through 2018. The Directors are pleased to report that this project was completed on time, within budget and the company has been able to realise the anticipated improvements from this project since its completion.

Favourable market conditions and receipt of insurance claims enabled the company to post a record profit in the year.

The key operational metrics for the year were as follows:

- The plant remained TRI free for the whole year (same in 2018)
- Operating profit of £4,082,209 (2018: £3,097,236)
- Production volume of 46,945mt (2018: 56,072mt)

Included within the operating profit of £4,082,209, are amounts of £1,815,279 relating to proceeds from an insurance claim made during the year.

The key drivers of the company's financial performance continue to be constant strong production levels along with a consistent cost base and a strong safety record. However, it is also relevant to note that as the company is part of the Norsk Hydro Group ("the Group") it is not dependent on the local market as its key external performance driver.

The company is part of the Norsk Hydro Group and Norsk Hydro ASA is the ultimate controlling party. The Group manages its aluminium business on a sector basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Primary Metal Business Unit, which includes this company, is discussed in the Group's annual report, which does not form part of this report.

Principal Risks and Uncertainties

The Covid-19 pandemic early in 2020 required changes to our daily operations to protect our 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.

The last few years have seen considerable movement in the prices of aluminium for both raw materials and for the finished products that the company sells. As a result, it is important to retain flexibility as a company and active margin management is a key part of the company's approach to mitigate these risks. The company continues to invest to reduce its cost base and improve its operational efficiency. Completion of the Single Drop project in early 2019 was a key part of this strategy.

Looking further forward, energy prices and the ability to source raw materials, on time, correctly presented, free from contaminants and of the correct specifications are common challenges for the UK aluminium industry in the medium to long term. As evidenced by the "Single Drop" project, the company does not consider Brexit to be an obstacle to ongoing investment in the plant. Other risks, common to the Group, are discussed in the Group's Annual Report, which does not form part of this Report.

Going concern

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 and the anticipated short term impact of COVID-19 on the operations and its financial resources, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The events of 2020 have shown that the company can remain both profitable and cash positive even when volumes are significantly reduced. Recent capital projects have reduced the company's cost base and increased its flexibility such that it has been able to adopt different operating models to suit the volumes requested by its customers. This has enabled the company to remain profitable for the first 8 months of 2020 (up to the date of signing these financial statements) despite operating at only 70% of anticipated volumes.

As part of its going concern review, the directors have looked at worst case demand scenarios, including a second wave of the Covid-19 pandemic but with a more severe market impact to that experienced in the spring of 2020 and lasting throughout the winter period and the directors are of the opinion that the company could withstand such a scenario.

Sales volumes can be influenced by the wider Norsk Hydro Group ("Group") activity, and in a soft market can be liable to substantial, but generally short-term reductions to balance the overall Group supply chains. During such a scenario the company would look to minimise its cost base, whilst retaining flexibility to ramp back up at short notice in response to any positive change in market conditions. The company may suffer short term losses in such a scenario and so maintains adequate cash resources as a contingency. During a longer period of reduced activity, the directors would look to minimise the cost base further to match a more prolonged period of reduced volumes and would aim for a break-even position.

The company has no internal or external debt and has access to a positive bank balance, which at 31.12.19 was in excess of £11 million and whilst this is held by Group and shown as an intercompany debtor in the balance sheet, the company has unrestricted access to the funds when required .Whilst these funds are held by Group on behalf of the company, the Group are restricted from using these funds.

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.

Future Outlook

The company has prepared a budget for 2020 which has been approved by the Group. This is to be supported by further investment in the installation of a Pre-Heating furnace, a project which commenced in 2019 and is expected to be completed in 2020

The Covid-19 pandemic is expected to have a financial impact on the company due to reduced customer demand during 2020. The directors are not able to quantify the financial impact of this at this stage due to its unprecedented nature but it is very likely that this will result in reduced profitability for 2020 when compared to 2019. As part of the Norsk Hydro Group, the directors feel the company is sufficiently resourced to withstand any short term economic challenges that it may encounter.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

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

In particular the delivery of our approved 5-year plan (2020 to 2024) will deliver a long-term beneficial impact to the company and 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 offering a completive remuneration package. We will further develop our safety systems to maintain a safe working environment.
- To our customers – we aim to build on our existing relationships to offer greener products in higher volumes through ongoing collaboration, quality improvements and process efficiencies
- To our suppliers – we aim to ensure you receive prompt payment for your invoices, foster good working relationships and work together on areas of mutual interest
- To our local community and the environment – we aim to further increase our volume of Circal, a product containing a minimum of 75% recycled aluminium and having a reduced Carbon footprint.

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

By order of the board,

JW Clifton
Director
28/09/2020

Hydro Aluminium Deeside Limited
Bridge Road
Wrexham Industrial Estate
Wrexham
LL13 9PS

Directors' report

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company during the year was toll conversion and manufacturing of aluminium extrusion billet from scrap and virgin metal. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the forthcoming year.

Research and development

Norsk Hydro has two research and development centres for aluminium in Norway, which serve all of its subsidiaries in Europe. This, together with extensive use of internal Hydro benchmark results, is expected to have a major positive impact on the company.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and ensures compliance with its operating permit as issued by Natural Resources Wales.

The number one priority for the company will always be to maintain a safe working environment for employees and stakeholders. This is an area in which the company has established a strong reputation, which the directors are keen to maintain as HES (Health, Environment and Safety) is a prerequisite for a successful cast house.

Proposed dividends

The directors do not recommend the payment of a dividend in the year *(2018: £nil)*.

Directors

The directors who held office during the year to the date of signing these financial statements were as follows:

S M Bairstow (resigned 8th June 2020)
J W Clifton (appointed 8th June 2020)
R Scharf-Bergmann
I Hexeberg

Employees

The directors would like to thank all employees for their hard work during the year. Details of the number of employees and related costs can be found in the notes to these financial statements. The company recognises the need to foster its relationships with suppliers, customers and other stakeholders and it seeks to do this by following the key Hydro Values of Care, Courage and Collaboration in all its business activities.

Political donations

There were no political donations in the year (2018: nil)

Events since the Balance Sheet Date

As disclosed in the Strategic report, in March 2020 the UK began to feel the full effects of the Coronavirus 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 temporarily reduce volumes during 2020 to adjust to a softer market. 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. However, as part of the Recycling Business Unit within Norsk Hydro Group, which is a key part of the Groups future Recycling Agenda, the directors feel the company is sufficiently resourced to withstand any short term economic challenges that it may encounter.

Financial Risk Management

Financial risk is mitigated in accordance with the Group polices through the active use of hedging in relation to metal purchases and sales and energy contracts. The management of the company's financing, credit, liquidity and cash flow risks and requirements are managed via the Groups Corporate Finance division. The Company also follows the Groups policies for managing its price exposure to customers and suppliers.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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.

By order of the board,

JW Clifton
Director
28/09/2020

Hydro Aluminium Deeside Limited
Bridge Road
Wrexham Industrial Estate
Wrexham, UK
LL13 9PS

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that he company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 DEESIDE LIMITED.

Opinion

We have audited the financial statements of Hydro Aluminium Deeside Limited ("the company") for the year ended 31st December 2019 which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statements and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

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 DEESIDE LIMITED *(continued)*

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC'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.

Will Baker **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
30th September 2020

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

	Note	**2019**	2018
		£	£
Turnover	*2*	**56,970,896**	79,354,940
Cost of sales		**(51,267,847)**	(71,961,413)
Gross profit		**5,703,049**	7,393,527
Distribution costs		**(898,658)**	(1,135,863)
Administrative expenses		**(2,537,461)**	(3,160,428)
Operating profit	*3*	**2,266,930**	3,097,236
Interest receivable and similar charges	*7*	**81,155**	47,834
Proceeds from insurance claim		**1,815,279**	-
Profit before taxation		**4,163,364**	3,145,070
Tax on profit	*8*	**(817,834)**	(669,260)
Profit for the financial year		**3,345,530**	2,475,810

Other comprehensive income

	Note	**2019**	2018
		£	£
Profit for the financial year		**3,345,530**	2,475,810
Actual return less interest income on pension plan's assets	*16*	**694,000**	(573,000)
Experience (losses)/gains on plan liabilities	*16*	**4,000**	(94,000)
Change in assumptions underlying the present value of plan liabilities	*16*	**(920,000)**	1,140,000
Deferred tax (charge)/credit on pension plan		**37,740**	(80,410)
Total comprehensive income for the year		**3,161,270**	2,868,400

All activities are derived from continuing operations.

The notes on pages 13 to 26 form part of these financial statements.

Balance sheet
at 31 December 2019

	Note	**2019**	2018
		£	£
Fixed assets			
Tangible assets	*9*	**8,578,499**	8,244,758
Current assets			
Stocks	*10*	**6,002,981**	7,058,578
Debtors	*11*	**20,370,470**	16,095,933
Cash at bank and in hand		**1,271**	254
		26,374,722	23,154,765
Creditors: amounts falling due within one year	*12*	**(4,741,786)**	(4,572,367)
Net current assets		**21,632,936**	18,582,398
Total assets less current liabilities		**30,211,435**	26,827,156
Creditors: amounts falling due after more than one year	*13*	**(117,653)**	(126,410)
Provisions for liabilities			
Deferred tax liabilities	*14*	**(512,612)**	(459,846)
Net assets excluding pension asset		**29,581,170**	26,240,900
Pension asset	*16*	**720,000**	899,000
Net assets including pension asset		**30,301,170**	27,139,900
Capital and reserves			
Called up share capital	*15*	**19,956,400**	19,956,400
Share premium account		**34,800**	34,800
Capital redemption reserve		**180,000**	180,000
Profit and loss account		**10,129,970**	6,968,700
Shareholders' funds		**30,301,170**	27,139,900

The notes on pages 13 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 28/09/2020 and were signed on its behalf by:

JW

JW Clifton
Director

Company registered number: 01786117

Statement of changes in equity
at 31 December 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2018	19,956,400	34,800	180,000	4,100,300	24,271,500
Total comprehensive income for the period					
Profit for the year	-	-	-	2,475,810	2,475,810
Other comprehensive income	-	-	-	392,590	392,590
Total comprehensive income for the period	-	-	-	2,868,400	2,868,400
Balance at 31 December 2018	**19,956,400**	**34,800**	**180,000**	**6,968,700**	**27,139,900**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2019	19,956,400	34,800	180,000	6,968,700	27,139,900
Total comprehensive income for the period					
Profit for the year	-	-	-	3,345,530	3,345,530
Other comprehensive income	-	-	-	(184,260)	(184,260)
Total comprehensive income for the period	-	-	-	3,161,270	3,161,270
Balance at 31 December 2019	**19,956,400**	**34,800**	**180,000**	**10,129,970**	**30,301,170**

The notes on pages 13 to 26 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Hydro Aluminium Deeside Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

Hydro Aluminium Deeside Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 01786117 and the registered address is Bridge Road, Wrexham Industrial Estate, Wrexham, LL13 9PS.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and the requirements of the Companies Act 2006. The financial statements are prepared in sterling ('£'), which is also the currency of the primary economic environment in which the Company operates (its 'functional currency'). Monetary amounts in these financial statements are rounded to the nearest £.

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

The company's ultimate parent undertaking, Norsk Hydro ASA, includes the company in its consolidated financial statements. The consolidated financial statements of Norsk Hydro ASA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Bygdoy, Alle 2, N-0240, Oslo, Norway.

The company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes and;
- Key Management Personnel compensation.

As the consolidated financial statements of Norsk Hydro ASA include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

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 and the anticipated short term impact of COVID-19 on the operations and its financial resources, the company will have sufficient funds to meet its liabilities as they fall due for that period.

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Notes *(continued)*

***Going concern** (continued)*

Sales volumes can be influenced by the wider Norsk Hydro Group ("Group") activity, and in a soft market can be liable to substantial, but generally short-term reductions to balance the overall Group supply chains. During such a scenario the company would look to minimise its cost base, whilst retaining flexibility to ramp back up at short notice in response to any positive change in market conditions. The company may suffer short term losses in such a scenario and so maintains adequate cash resources as a contingency. During a longer period of reduced activity, the directors would look to minimise the cost base further to match a more prolonged period of reduced volumes and would aim for a break-even position.

The company has no internal or external debt and has access to a positive bank balance, which at 31.12.19 was in excess of £11 million and whilst this is held by Group and shown as an intercompany debtor in the balance sheet, the company has unrestricted access to the funds when required .Whilst these funds are held by Group on behalf of the company, the Group are restricted from using these funds.

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.

Related party transactions

The company has taken advantage of the exemption conferred by FRS102.33.1A and has not disclosed related party transactions with other wholly owned Group companies.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. Cost includes an appropriate amount of labour and attributable overheads incurred in the construction of fixed assets.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or revaluation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Buildings	-	over 30 years
Plant and machinery	-	between 2 and 20 years
Motor vehicles	-	over 5 years
Fixtures and fittings	-	over 10 years

Provision is made for any impairment if required. Currently there are no impaired assets

Depreciation is not provided on freehold land nor on assets in the course of construction until they are brought into use.

Interest incurred on borrowings to finance the construction and development of freehold buildings and plant is capitalised gross of any tax relief, up to the date each asset is brought into use.

Assets disposed of in the year are removed from the balance sheet, with any remaining net book value, along with related proceeds recognised in the profit and loss account and recorded as profit or loss on disposal.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Turnover

Revenue is recognised at the point at which the company fulfils all requirements under the sales contract. Turnover, which is stated net of value added tax and trade discounts, represents the amounts derived from the provision of

Notes *(continued)*

***Turnover** (continued)*

goods which fall within the company's ordinary activities. Revenue is recognised at the point of delivery to customers.

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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Leasing

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 unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Pension costs

Defined contribution plans and other long term employee benefits

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.

Notes *(continued)*

***Pension costs** (continued)*

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit asset is recognised in other comprehensive income in the period in which it occurs.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Accounting Estimates and Judgements

The application of accounting policies requires that management makes estimates and judgements in determining certain revenues, expenses, assets and liabilities. The Directors make such estimates and judgements based on the information available at the time, however as these are by nature an estimate, future events may show such decisions to be incorrect. Where the area is complex, the directors will employ appropriately qualified experts to support their work. In preparing these financial statements the Directors employed a professionally qualified Actuary to advise on appropriate assumptions and perform the calculations to support the figures that are included in these statements, in respect of the defined benefit pension scheme.

Notes *(continued)*

2 Turnover

Turnover, which is stated net of value added tax and trade discounts, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities. Revenue is recognised at the point of delivery to customers.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	**2,694,137**	3,481,351
Other	**54,276,759**	75,873,589
	56,970,896	79,354,940

3 Operating profit

	2019	2018
	£	£
Operating profit is stated after charging/(crediting):		
Proceeds from insurance claim	**(1,815,279)**	-
Depreciation of tangible fixed assets	**711,792**	527,426
Amortisation of government grant	**(8,757)**	(8,757)
Loss on disposal of fixed assets	**68,237**	-
Operating lease rentals – plant and machinery	**145,108**	148,853
Foreign exchange gain/ (loss)	**(88,333)**	519,807

	2019	2018
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	**28,000**	27,000

4 Expenses and Director's remuneration

Included in profit are the following:

	2019	2018
	£	£
Remuneration	**153,430**	149,031
Company pension contributions	**16,999**	16,147
	170,429	165,178

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £170,419 (2018: £165,178)

The number of directors accruing benefits under a defined benefit pension plan was 1 *(2018: 1)*

Notes *(continued)*

5 Related party transactions

The spouse of the previous Managing Director is a full-time employee of the company. During the year his total remuneration package amounted to £81,848 (2018: £77,047)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Office and management	**11**	11
Manufacturing	**34**	34
	45	45

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	**1,703,787**	1,603,686
Social security costs	**180,773**	173,525
Pension costs (see note 16)	**-**	127,000
Defined contribution pension scheme	**273,402**	262,340
	2,157,962	2,166,551

7 Interest receivable and similar income

	2019	2018
	£	£
Net interest relating to pension asset (see note 16)	**26,000**	12,000
Interest receivable from group undertakings	**55,155**	35,834
Total interest receivable and similar income	**81,155**	47,834

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2019	2018
	£	£
Current tax		
Current tax on income for the period	**742,398**	550,000
Adjustments in respect of prior periods	**(15,062)**	-
Total current tax	**727,336**	550,000
Deferred tax (see note 14)		
Origination and reversal of timing differences	**52,758**	199,670
Total deferred tax	52,758	199,670
Tax expense(income) relating to changes in accounting policies and material error	-	-
Total tax	**780,094**	749,670

		2019			2018	
	£	**£**	**£**	£	£	£
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**727,336**	**90,498**	**817,834**	550,000	119,260	669,260
Recognised in other comprehensive income	-	**(37,740)**	**(37,740)**	-	80,410	80,410
Recognised directly in equity	-	-	-	-	-	-
Total tax	**727,336**	**52,758**	**780,094**	550,000	199,670	749,670

Analysis of current tax recognised in profit and loss

	2019	2018
	£	£
UK corporation tax	**727,336**	550,000
Total current tax recognised in profit and loss	**727,336**	550,000

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	**3,345,530**	2,475,810
Total tax expense	**817,834**	669,260
Profit excluding taxation	**4,163,364**	3,145,070
Tax using the UK corporation tax rate of 19% (2018:19%)	**791,039**	597,563
Non-deductible expenses	**35,649**	81,157
Impact of change in tax rates	**6,208**	(9,460
Under / (over) provided in prior years	**(15,062)**	-
Total tax expense included in profit or loss	**817,834**	669,260

Factors affecting taxation in future years

A reduction in the UK tax rate from 19% to 17% effective 1st April 2020 was substantively enacted on 6th September 2017 and accordingly the deferred tax at year end is recognised at 17%. Under the March 2020 Budget, draft legislation is proposed to retain the Corporation tax rate of 19% from 1st April 2020.

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings £	Plant and equipment £	Assets Under Construction £	Total £
Cost				
Balance at 1 January 2019	4,999,591	7,346,633	2,915,095	15,261,319
Additions	633,111	332,236	148,423	1,113,770
Reallocated to other assets	317,767	2,597,328	(2,915,095)	-
Disposals	(126,810)	-	-	(126,810)
Balance at 31 December 2019	5,823,659	10,276,197	148,423	16,248,279
Depreciation				
Balance at 1 January 2019	2,492,389	4,524,172	-	7,016,561
Depreciation charge for the year	201,336	510,456	-	711,792
Disposals	(58,573)	-	-	(58,573)
Balance at 31 December 2019	2,635,152	5,034,628	-	7,669,780
Net book value				
At 1 January 2019	2,507,202	2,882,461	2,915,095	8,244,758
At 31 December 2019	**3,188,507**	**5,241,569**	**148,423**	**8,578,499**

Land and Buildings

Included in freehold land and buildings is land valued at £800,000 (2018: £800,000) which is not depreciated.

10 Stocks

	2019 £	2018 £
Consumables and spare parts	**796,391**	733,674
Raw materials	**1,912,701**	3,647,526
Work in progress	**453,546**	-
Finished goods	**2,840,343**	2,677,378
	6,002,981	7,058,578

Raw Materials, consumables and changes in finished goods and work in progress are recognised as cost of sales in the year amounted to £46,240,993 (2018: £ 67,398,213). There was no impairment of stocks in the year (2018: £ nil).

In the opinion of the directors there is no material difference between the carrying value of stocks and their replacement cost.

Notes *(continued)*

11 Debtors

	2019	2018
	£	£
VAT	**417,810**	819,896
Trade debtors	**376,058**	157,195
Amounts owed by group undertakings	**19,547,644**	15,088,470
Prepayments and accrued income	**28,958**	28,508
Corporation Tax	-	1,864
	20,370,470	16,095,933

12 Creditors: amounts falling due within one year

	2019	2018
	£	£
Overdraft	-	390
Trade creditors	**2,857,188**	2,145,735
Accruals	**1,085,909**	1,198,978
Corporation tax	-	-
Amounts owed to Group Undertakings	**798,689**	1,227,264
	4,741,786	4,572,387

13 Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Deferred government grants (below)	**117,653**	126,410
Deferred government grants		
Grants received in prior years	**1,524,209**	1,524,209
Amounts previously released to profit and loss account	**(1,397,799)**	(1,389,042)
Released in year	**(8,757)**	(8,757)
	117,653	126,410

Notes *(continued)*

14 Deferred tax

Deferred tax liabilities are attributable to the following:

	Provided 2019 £	Provided 2018 £
Accelerated capital allowances	**(410,213)**	(328,506)
Other timing differences	**20,001**	21,490
Tax liabilities	**(390,212)**	(307,016)
Pension plan (see note 16)	**(122,400)**	(152,830)
Total deferred tax liabilities	(512,612)	**(459,846)**

	Pension 2019 £	**Other 2019 £**
Asset/(liabilities) at 1 January 2019	**(152,830)**	(307,016)
Amount recognised in profit and loss account	**(7,310)**	(83,196)
Amount recognised in other comprehensive income	**37,740**	-
Liabilities at 31 December 2019	**(122,400)**	(390,212)

15 Capital and reserves

Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
199,564,000 Ordinary shares of £0.10 each	**19,956,400**	19,956,400

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16 Employee benefits

The company operates a pension plan with three defined benefit levels, which is funded by the payment of contributions to a separately administered trust fund. The contributions to this plan are determined with the advice of independent qualified actuaries. On 5 April 2016 the scheme was closed to future accrual and replaced with a defined contribution scheme.

The plan commenced on 5 April 1988 and the latest draft actuarial valuation of the plan was carried out as at 6 April 2018, at which date the assets of the plan were valued at £9,517,000. The result of this valuation has been used for the purpose of the accounts. The funding level to the date of valuation was 106%. The valuation was performed using the Projected Unit Method.

Total pension costs for the 12 months to 31 December 2019 were £nil (2018: £127,000).

Notes *(continued)*

16 Employee benefits *(continued)*

The last draft formal valuation was carried out at 6 April 2018 by a qualified independent actuary. The major assumptions used by the actuary in updating this valuation were:

	2019	2018
Rate of increase in salaries	**N/A**	N/A
Rate of increase in pension in payment	**1.7%-2.2%**	1.8 – 2.1%
Discount rate	**2.1%**	2.9%
Inflation assumption	**2.2%**	2.5%
Rate of increase in deferred pension revaluation	**2.2%**	2.5%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner age 65: 86.0 years (male), 87.9 years (female)
- Future retiree upon reaching 65: 87.4 years (male), 89.5 years (female)

The plan's net pension asset is analysed as follows:

	2019 Fair value £	2018 Fair value £	2017 Fair value £
Equities	**5,182,000**	3,664,000	4,242,000
Bonds	**4,691,000**	5,564,000	5,464,000
Other	**408,000**	289,000	344,000
Actual return on plan assets	**10,281,000**	9,517,000	10,050,000
Present value of plan liabilities	**(9,561,000)**	(8,618,000)	(9,527,000)
Net pension asset	**720,000**	899,000	523,000

Movements in the present value of the defined benefit obligations

	2019 £	2018 £
Opening defined benefit obligation	**8,618,000**	9,527,000
Interest cost	**247,000**	227,000
Actuarial gains / (losses)	**916,000**	(1,046,000)
Benefits paid	**(220,000)**	(217,000)
Loss on benefit change (Guaranteed Minimum Pension Equalisation)	**-**	127,000
Closing defined benefit obligation	**9,561,000**	8,618,000

Notes *(continued)*

16 Employee benefits *(continued)*

Movements in the fair value of plan assets

	2019	2018
	£	£
Opening fair value of plan assets	**9,517,000**	10,050,000
Interest income	**273,000**	239,000
Actuarial (loss) / gain	**694,000**	(573,000)
Contributions to the plan	**17,000**	18,000
Benefits paid	**(220,000)**	(217,000)
Closing fair value of plan's assets	**10,281,000**	9,517,000

Analysis of the amount charged to operating profit:

	2019	2018
	£	£
Past service cost	**-**	127,000
Total charged to operating profit	**-**	127,000

Analysis of the amount charged to interest payable:

	2019	2018
	£	£
Interest income on pension plan's assets	**273,000**	239,000
Interest on pension plan liability	**(247,000)**	(227,000)
Gains recognised in statement of other comprehensive income before adjustment for tax	**26,000**	12,000

Analysis of the amount recognised in other comprehensive income:

	2019	2018
	£	£
Difference between the interest income and actual return on assets	**694,000**	(573,000)
Experience (losses)/gains arising on the plan liabilities	**4,000**	(94,000)
Changes in assumptions underlying the present value of the plan liabilities	**(920,000)**	1,140,000
Gains recognised in other comprehensive income before adjustment for Tax	**(222,000)**	473,000

Notes *(continued)*

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	£	£
Operating leases which expire:		
Within one year	**38,393**	75,913
In two to five years	**22,623**	45,836
	61,016	121,749

18 Capital Commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £277,977 (2018: £304,000).

19 Ultimate parent company and parent company of larger group

The companies immediate parent company is Hydro Aluminium A.S. The companies ultimate parent undertaking and, in the directors' opinion, the controlling party, is Norsk Hydro ASA, a company incorporated in Norway. Norsk Hydro ASA is the largest, and smallest, undertaking for which group accounts are prepared. A copy of the accounts of Norsk Hydro ASA can be obtained from their registered offices Drammensveien 260, Vaekero, N-0283, Oslo, Norway.

20 Subsequent event

The Covid-19 pandemic early in 2020 required changes to normal daily operations to protect our 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. Customer demand has started to recover and the Directors do not foresee any long term impact for the profitability of the company related to the Covid-19 pandemic. In the short to mid-term, as part of the Norsk Hydro Group, the directors are of the opinion that the company has adequate liquidity resources required to support ongoing operations and is able to continue to supply its customers' requirements.