NOVELIS UK LTD

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

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Novelis UK Ltd

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Warrington
Cheshire
WA4 1NN

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Facsimile: +44 (0)1925 784 102

Registered in England Number 279596

Strategic Report

Strategic report for the year ended 31 March 2019

The directors present their strategic report on the Company for the year ended 31 March 2019.

Principal activities, review of the business and future development

The principal activity of the Company is the processing and sale of aluminium products. It operates an aluminium recycling plant.

The recycling operation continued to perform at full capacity for the year. The underlying London Metal Exchange (LME), and European Premiums (ECDP), increased in their quoted US Dollar values in the year, however, the increasing strength of the pound meant that, in local currency, the LME and ECDP were relatively flat over the period.

The Company continued to trade profitably during the year This can be seen on the statement of financial position on page 8 of these financial statements.

Principal Business Risks, Financial Risks and Uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, metal prices, credit risk, liquidity risk and interest rate risk.

Risk Management Policies are set within the Novelis Group at a Global level and are adopted in full by the Company. Specifically Novelis has policies and procedures manuals that set out specific guidelines to manage foreign currency, metal price and credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Foreign currency risk - The Company is exposed to currency risk on foreign purchases and sales. In-line with Novelis Group policy the Company's net foreign currency exposure is covered by forward currency contracts, so as to fix the sterling value of the company's forecast cash flows.

Metal price risk - The Company is exposed to metal price risk from changes in the traded London Metal Exchange (LME) price for Aluminium. In-line with Novelis Group policy this exposure is minimised by hedging sales commitments due for delivery in greater than three months, by the use of conversion only sales contracts and by the use of floating price sales contracts where metal prices for purchase and sale are synchronised.

Credit risk - The Company has implemented the Novelis Credit Management Policy that requires appropriate credit checks on potential customers to be performed before sales orders are taken, and also requires the ongoing monitoring of customers credit agency ratings and credit limits. The Group also utilises credit insurance for the majority of its third party business.

Liquidity risk - The Company has access to short term funding through the Novelis Group Revolving Credit Facility as well as Inter-Company lending through the Novelis Europe Cash Pool.

Interest rate risk - The Company's debt is in the form of short-term inter-company debt being LIBOR based. Management of interest rate risk is performed at a Novelis Inc. Group level.

Brexit risk – The Company recognises that there is uncertainty surrounding the outcome of the current situation. The sheet ingot produced by the recycling operation remains important to the Novelis Europe network and will continue to be required whatever the outcome of Brexit.

Key Performance Indicators

The Directors consider the Company's key performance indicators to be financial measures included in these financial statements and its environmental, health and safety (EHS) performance. Novelis Inc. mandates very high EHS standards at its operations throughout the world including year on year improvements in safety at work performance.

For the year ended 31 March 2019, the recycling operation achieved a full financial year without a lost time incident.

The recycling operation delivered 220,536 tonnes (2018: 227,495 tonnes) to other plants within the Novelis network during the year.

On behalf of the Board

S Hedar
Director

2 May 2019

Directors' report

The directors present their report together with the audited financial statements of Novelis UK Ltd (the Company) for the year ended 31 March 2019.

1. Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:
F. Lucido
S. Clarke
S. Hedar
D. Haydon

There are no disclosable directors' interests in the Company's shares. No director during or at the end of the year had any material interest in any significant contract with the Company.

2. Future development of the Company

The plant continues to generate a profit and the directors expect to continue to operate in its current role in the future.

3. Principal activities, review of the business and future developments

These details are now contained within the strategic report.

4. Results and dividends

The profit for the financial year is set out on page 7. The directors do not propose the payment of a dividend (2018: £nil).

5. Subsequent events

There are no subsequent events.

6. Research and development

The Company's research and development is directed towards aluminium products.

7. Financial risk management / principal risks and uncertainties

These details are now contained within the strategic report.

8. Employee involvement

During the year the Company has continued its policy of providing employees systematically with information on matters of concern to them.

Employees or their representatives are consulted on a regular basis, so that their views can be taken into account in making decisions that are likely to affect their interests. It is also Company policy to make employees aware of the financial and economic factors affecting its performance.

The Company continues its policy to give full and fair consideration to applications for employment made by disabled persons, together with the policy of fulfilling its obligations towards employees who are disabled during the year of their employment by the Company.

9. Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report (continued)

10. Provision of information to auditors
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

11. Independent Auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue in office. Resolutions concerning their re-appointment and the authorisation of the directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting of the Company.

On behalf of the Board

S Hedar
Director

2 May 2019

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
WA4 1NN

Independent auditors' report to the members of Novelis UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Novelis UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent auditors' report to the members of Novelis UK Ltd (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

3 May 2019

Novelis UK Ltd

Income statement for the year ended 31 March 2019

Registered in England

Number 279596

	Note	2019 £'000	2018 £'000
Revenue	4	**435,761**	458,848
Cost of sales		**(418,930)**	(442,494)
Gross profit		**16,831**	16,354
Distribution costs		**(7,552)**	(10,501)
Administrative expenses		**(6,821)**	(9,656)
Other operating income		**8,585**	7,500
Finance costs	8	**(357)**	(426)
Finance expenses	20	**(348)**	(309)
Profit before taxation	5	**10,338**	2,962
Tax on profit	9	**(2,778)**	(538)
Profit for the financial year	18	**7,560**	2,424

Statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year	18	**7,560**	2,424
Other comprehensive income/ (expense)			
Actuarial gain/ (loss) recognised in the pension scheme	20	**5,024**	(3,392)
Movement on deferred tax relating to pension deficit	18	**(854)**	576
Other comprehensive income/ (expense) for the year		**4,170**	(2,816)
Total comprehensive income/ (expense) for the year		**11,730**	(392)

A statement of movements on the profit and loss account is given in note 18.

Profit for the financial year is derived from continuing operations.

The notes on pages 10 to 25 form part of these financial statements.

Novelis UK Ltd

Statement of financial position as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	-	-
Property, plant and equipment	11	27,010	25,271
Investments	12	124,188	124,188
		151,198	149,459
Current assets			
Inventories	13	17,263	26,842
Trade and other receivables: amounts falling due within one year	14	159,325	155,111
Trade and other receivables: amounts falling due after more than one year	14	17	17
Cash at bank and in hand		1,000	1,000
		177,605	182,970
Creditors: amounts falling due within one year	15	(89,554)	(98,788)
Net current assets		88,051	84,182
Total assets less current liabilities		239,249	233,641
Provisions for liabilities and charges	16	(95)	(99)
Pensions and similar obligations	20	(7,969)	(14,087)
Net assets		231,185	219,455
Equity			
Called up share capital	17	146,089	146,089
Capital Contribution reserve in respect of share capital of subsidiary		7	7
Profit and loss account	18	85,089	73,359
Total equity		231,185	219,455

The financial statements on pages 7 to 25 were authorised by issue of the board of directors on 2 May 2019 and were signed on its behalf by:

S Hedar
Director

The notes on pages 10 to 25 form part of these financial statements.

Novelis UK Ltd

Statement of changes in equity for the year ended 31 March 2019

	Called up share capital £000	Capital contribution reserve in respect of share capital of subsidiary £000	Profit and loss account £000	Total £000
Balance as at 1 April 2017	146,089	7	73,751	219,847
Profit for the financial year	-	-	2,424	2,424
Other comprehensive expense for the year	-	-	(2,816)	(2,816)
Total comprehensive expense for the year	-	-	(392)	(392)
Balance as at 31 March 2018	**146,089**	7	**73,359**	**219,455**
Balance as at 1 April 2018	146,089	7	73,359	219,455
Profit for the financial year	-	-	7,560	7,560
Other comprehensive income for the year	-	-	4,170	4,170
Total comprehensive income for the year	-	-	11,730	11,730
Balance as at 31 March 2019	**146,089**	7	**85,089**	**231,185**

Notes to the financial statements

1. General information and Summary of Significant Accounting Policies

Novelis UK Ltd ('the company') processes and sells aluminium products. It operates an aluminium recycling plant. The company has a processing plant in the UK and sells primarily to the rest of Europe.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Latchford Lock Works, Warrington.

A. Accounting convention
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

B. Basis of preparation
The financial statements have been prepared on the going concern basis, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

C. Exemptions
The Company's results are consolidated in the consolidated financial statements of Novelis Inc. that are publicly available. Consequently the Company has taken advantage of the exemptions granted by FRS 102 and has not provided a cash flow statement.

Under FRS 102, the Company is exempt from the requirement to disclose related party transactions with Novelis Inc. and its subsidiaries on the grounds that it is a wholly owned subsidiary undertaking.

D. Acquisitions and goodwill
The results of any undertakings acquired are dealt with from the effective date of acquisition using acquisition accounting. The assets and liabilities acquired are incorporated into the accounts at their fair values. Any difference between the acquisition cost and the fair values of the net assets acquired is carried on the balance sheet as goodwill or negative goodwill and amortised over its expected useful economic life (subject to a maximum of 10 years).

E. Consolidation
The results of the Company are consolidated in the consolidated financial statements of Novelis Inc. These financial statements have been prepared in a manner consistent with consolidated financial statements prepared under the European Commission's 7th Company Law Directive and so the Company has taken advantage of the exemption allowed under section 401(2)(d) of the Companies Act 2006 and has not prepared group financial statements.

F. Revenue
Revenue represents the amount invoiced in the ordinary course of business for goods sold and services provided after deducting returns and value added tax.

G. Depreciation
Depreciation of tangible assets is calculated on original cost at rates estimated to write off the assets over their useful lives by equal instalments. The annual rates in use are:

Land	Nil
Buildings	3.33%
Plant equipment and machinery	4% to 20%

Assets are not depreciated until they are brought into operational use. If business conditions or changes in circumstances indicate asset values may be impaired an estimate is made of the discounted future cash flow arising from an asset or group of assets and impairment charges made when this estimated cash flow is less than the recorded value of the asset.

1. General information and Summary of Significant Accounting Policies (continued)

H. Leases

Payments under operating lease agreements are charged to the profit and loss account on a straight-line basis over the life of the lease.

Rental income is credited to the profit and loss account on a straight-line basis over the life of the lease.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

I. Inventory

Inventory of raw materials, work in progress and finished goods are stated at the lower of cost and estimated selling price less cost to complete and sell. The cost of manufactured goods and work in progress is taken as production cost which includes an appropriate proportion of production overheads.

J. Research and development costs

Expenditure on research is written off in the year/period in which it is incurred.

K. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

L. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet. Gains or losses on translation are included in the profit and loss account.

M. Pensions

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

Notes to the financial statements (continued)

1. General information and Summary of Significant Accounting Policies (continued)

M. Pensions (continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

A plan surplus is recognised only where the entity is able to recover the surplus through reduced contributions in the future or through refunds from the plan.

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

N. Provisions

Where a present obligation is deemed to exist, as a result of a past event, and a reliable estimate of the liability can be made a provision is made to reflect the probable cost in the profit and loss account immediately.

O. Investments

Investments are recorded at cost. If business conditions or changes in circumstances indicate that asset values may be impaired, an impairment review is undertaken and impairment charges are recorded if the carrying value of the investment exceeds the higher of its realisable value and its value in use.

P. Financial Instruments

As a qualifying entity under FRS102, Novelis UK Ltd has taken advantage of the exemption from presenting financial instrument disclosure as these disclosures are contained within the consolidated financial statements of Novelis Inc.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Q. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at transaction price and subsequently measured at amortised costs using the effective interest method.

2. Statement of compliance

The individual financial statements of Novelis UK Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Pensions

The company's most significant accounting estimates arise in calculating the defined benefit obligation. The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. A 0.5% increase in the discount rate would reduce the pension liability by approximately £19m.

The Company uses a specialist third party to advise on the appropriate assumptions to use. The main assumptions are outlined in more detail in note 20.

4. Revenue

An analysis of revenue by geographical market is as follows:

	2019 £'000	2018 £'000
United Kingdom	49,130	59,557
Rest of Europe	385,136	395,397
Americas	1,495	3,894
	435,761	458,848

The revenue of the business is from the sale of goods.

5. Profit before taxation

	2019 £'000	2018 £'000
Profit before taxation is stated after charging / (crediting):		
Auditors' remuneration:		
- for audit services	56	56
Operating lease charges	1,318	800
Depreciation of tangible fixed assets (note 11)	2,834	2,573
Foreign exchange gains/ (losses)	1,325	(2,905)
Loss on disposal of fixed assets	(29)	-
Research and development expenditure	700	575

During the year ended 31 March 2019 the audit fees payable by the Novelis UK Pension Plan to PricewaterhouseCoopers LLP totalled £19,300 (2018: £18,800).

6. Staff costs and numbers

The aggregate remuneration and associated costs of persons employed was:

	2019 £'000	2018 £'000
Wages and salaries	9,041	8,238
Social security costs	941	898
Other pension costs – defined benefit scheme (note 20)	2,497	1,106
– defined contribution scheme (note 20)	283	247
Total staff costs	12,762	10,489

	2019 Number	2018 Number
Average monthly number employed:		
Manufacturing	158	153
Administration	60	63
	218	216

7. Directors' emoluments

	2019 £'000	2018 £'000
Aggregate directors' emoluments	303	175
	303	175

At the year end no director was accruing retirement benefits in relation to qualifying services (2018: none).

Highest paid director

	2019 £'000	2018 £'000
Total amount of emoluments	197	142
	197	142

8. Finance costs

Interest: interest payable and similar charges

	2019 £'000	2018 £'000
On loans from group undertakings	357	426
Total interest payable and similar charges	357	426

9. Tax on profit

	2019 £'000	2018 £'000
Current tax:		
Current tax charge	-	-
Total current tax charge	-	-
Deferred tax (note 16)		
Origination and reversal of timing differences	2,592	272
Movement on deferred taxation relating to the Pension Scheme	186	266
Tax charge on profit on ordinary activities	2,778	538

UK corporation tax has been provided where applicable at a rate of 19% (2018: 19%).

The current tax charge for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	10,338	2,962
Profit before taxation multiplied by standard rate in the UK of 19% (2018: 19%)	1,964	563
Effects of:		
Permanent differences	5	2
Non-taxable credits	-	-
Timing differences	809	(27)
Group relief surrendered for no charge	-	-
Total tax expense	2,778	538

There are no significant current factors that will affect future tax charges.

10. Intangible assets

	Negative goodwill £'000	Total £'000
Cost:		
At beginning and end of the year	(7,148)	(7,148)
Accumulated Amortisation:		
At beginning and end of the year	7,148	7,148
Net book amount at 31 March 2019	-	-
Net book amount at 31 March 2018	-	-

11. Property, plant and equipment

	Freehold land and buildings £'000	Plant equipment & machinery £'000	Total £'000
Cost:			
At beginning of the year	5,627	43,075	48,702
Additions	-	4,602	4,602
Disposals	-	(119)	(119)
At end of the year	5,627	47,558	53,185
Accumulated Depreciation:			
At beginning of the year	3,630	19,801	23,431
Charge for the year	361	2,473	2,834
Disposals	-	(90)	(90)
At end of the year	3,991	22,184	26,175
Net book value at 31 March 2019	**1,636**	**25,374**	**27,010**
Net book value at 31 March 2018	1,997	23,274	25,271

At 31 March 2019 the cost of assets in the course of construction included above amounted to £1,099,000 (2018: £2,414,000). The non-depreciable element of freehold land and buildings is £483,000 (2018: £483,000).

Future capital expenditure not provided in the financial statements is as follows:

	2019 £'000	2018 £'000
Authorised by the directors and contracts placed	**304**	997
	304	997

12. Investments

	£'000
Cost	
At 1 April 2018	124,188
Additions	-
At 31 March 2019	124,188
Net book value	
At 31 March 2019	**124,188**
At 31 March 2018	124,188

The Company's fixed asset investment value represents the purchase cost of its wholly owned subsidiary, Novelis Services Limited. The Company is exempt from preparing group accounts because the results of both it and its subsidiary are included in the consolidated accounts of its immediate parent Novelis Inc.
Novelis Services Limited is a 100% wholly owned subsidiary incorporated in the United Kingdom. The registered address of the company is Latchford Lock Works, Warrington, WA4 1NN.

13. Inventories

	2019	2018
	£'000	£'000
Raw materials and consumables	10,991	17,493
Work in progress	3,346	5,483
Finished goods and goods for resale	2,926	3,866
	17,263	26,842

There is no material difference between the balance sheet value and the replacement cost of inventories.

14. Trade and other receivables

Trade and other receivables: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade debtors	8,159	10,753
Amounts owed by group undertakings	131,867	120,910
VAT and other tax receivables	5,303	6,755
Other debtors	2,232	922
Deferred tax asset (note 16)	11,533	15,165
Prepayments and accrued income	231	606
	159,325	155,111

The amounts owed by group undertakings are unsecured, bear interest at a rate of 0%, and are repayable on demand.

Trade and other receivables: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Long term deposits	17	17
	17	17

15. Creditors

Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	31,258	46,963
Amounts owed to group undertakings	25,957	11,451
Finance loan	4,322	6,748
Derivative financial instruments	674	578
Taxation and social security	597	963
Accruals and deferred income	26,746	32,085
	89,554	98,788

The amounts owed to group undertakings are unsecured, bear interest at a rate of 0%, and are repayable on demand.

16. Provisions for liabilities and charges

	Employee sickness & retirement £'000	Total £'000
At 31 March 2018	99	99
Profit and loss credit	(4)	(4)
At 31 March 2019	**95**	95

Maturity profile of provisions:

	2019 £'000	2018 £'000
Within one year	61	61
Between one and two years	4	4
Between two and five years	14	14
Over five years	16	20
	95	99

Deferred taxation in the financial statements is as follows:-

	2019 £'000	2018 £'000
Accelerated capital allowances	(2,258)	(4,868)
Deferred tax asset in respect of the pension scheme	(1,355)	(2,395)
Other timing differences	(67)	(27)
Corporation tax losses carried forward	(7,853)	(7,875)
Deferred tax asset	(11,533)	(15,165)

The deferred tax assets have been fully recognised as management believes that suitable taxable profits will be available against which they can be realised. The deferred tax assets have been calculated at a rate of 17% (2018: 17%).

Factors affecting current and future tax charges:-

The movement in the deferred tax asset is as follows:

	£'000
At 1 April 2018	(15,165)
Charged to income statement	2,778
Charged/(credited) to statement of comprehensive income	854
At 31 March 2019	(11,533)

17. Called up share capital

	2019	2018
	£'000	£'000
Issued and fully paid:		
292,178,000 (2018: 292,178,000) ordinary shares of £0.50 each (2018: £0.50 each)	146,089	146,089

18. Profit and loss account

	2019	2018
	£'000	£'000
At beginning of the year	73,359	73,751
Profit for the financial year	7,560	2,424
Actuarial loss recognised in the pension scheme	5,024	(3,392)
Movement on deferred tax relating to pension deficit	(854)	576
At end of the year	85,089	73,359

19. Operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
Not later than one year	1,443	1,446
Later than one year and not later than five years	2,100	2,914
Later than five years	-	-
	3,543	4,360

20. Pension commitments

The Novelis UK Pension Plan is a funded defined benefit scheme that includes employees of the Company together with a small number of expatriate employees working overseas.

A formal valuation of the Plan was carried out as at 31 March 2018 for funding purposes by an independent qualified actuary using the projected unit method. The discount rate and inflation assumptions were set with reference to UK government bond yield curves with prudent margins applied where appropriate. Salary increases were assumed to be in line with RPI inflation. The market value of assets at that date was £224.4 million and the valuation disclosed a funding level of 92.0% and a Technical Provisions deficit (i.e. shortfall in assets relative to the funding liabilities) of £19.6 million.

Contributions for funding purposes are agreed with the Trustees of the Plan. Following the valuation as at 31 March 2018, the following employer contributions were agreed:

- To meet the cost of benefits being accrued by current employees: 16.0% of Pensionable Earnings for the year to 31 March 2019 and 18.0% of Pensionable Earnings thereafter.
- To rectify the funding deficit: £3m by 31 March 2019 and £4m in each of the three years to 31 March 2022. These contributions may be reduced to reflect the cost to the employer of funding independent financial advice for members at retirement.

In addition the Company makes a contribution towards the expense of running the Plan.

For the purposes of the Company's accounts, an actuarial valuation was carried out at 31 March 2016. The Company has employed an independent actuary to approximately update that actuarial valuation to 31 March 2019 allowing for changes in actuarial assumptions, as well as adjusting for benefit accrual and benefits paid from the Plan. The main assumptions made by the actuary were:

	At 31 March 2019	At 31 March 2018	At 31 March 2017
Rate of increase in pensions	CPI:1.90% to 6.00%	CPI:1.90% to 6.00%	CPI:1.90% to 6.00%
Discount rate	2.30%	2.40%	2.40%
Rate of inflation:			
▪ CPI	2.20%	2.20%	2.20%
▪ RPI	3.20%	3.20%	3.20%
Salary increase rate:			
▪ For service pre 1 April 2010	3.10%	3.10%	2.75%
▪ For service post 1 April 2010	2.50%	2.50%	2.50%

The mortality base table is assumed to be in line with the standard SAPS S2 all tables with multipliers as set out in the following table.

Category	Sex	Scaling Factor	
		Members	Contingent Lives
Actives and deferreds	Males	118%	106%
	Females	103%	111%
Pensioners	Males	107%	110%
	Females	107%	102%

Future mortality improvements are assumed to be in line with the CMI 2015 core projections with a long-term improvement rate of 1.0% pa.

20. Pension commitments (continued)

The assets in the Plan were:

	Value at 31 March 2019 £'000	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
Equities	33,081	31,038	33,753
Government bonds & LDI	143,792	148,536	152,464
Property	3,560	5,212	5,051
Cash/other	48,913	39,593	38,345
Combined			
Total market value of assets	229,346	224,379	229,613
Present value of scheme liabilities	(237,315)	(238,466)	(241,871)
Total pension liability	(7,969)	(14,087)	(12,258)

The value of members' additional voluntary contribution funds has been excluded from both the value of the assets and the value of the liabilities.

20. Pension commitments (continued)

Year Ending	2019 £'000	2018 £'000
Profit & Loss (P&L)		
Effect of employee service in the current year	668	671
Net finance cost on net defined benefit liability	348	309
Plan introductions, changes, curtailments and settlements	1,181	-
Administration costs	648	435
Defined benefit cost recognised in P&L	2,845	1,415
Cost of termination benefits	-	-
Cost recognised in P&L	2,845	1,415
Other Comprehensive Income (OCI)		
Actuarial loss / (gain) arising during year	2,921	-
Return on plan assets (greater) / less than discount rate	(7,945)	3,392
Remeasurement effects recognised in OCI	(5,024)	3,392

Notes to the financial statements (continued)

20. Pension commitments (continued)

Change in Defined Benefit Obligation (DBO)	£'000
DBO as at 1 April 2018	238,466
Effect of employee service in the current year	668
Interest cost on the DBO	5,619
Administration costs	648
Remeasurement of the DBO	2,921
Plan introductions, changes, curtailments and settlements	1,181
Benefits paid from plan assets	(12,188)
DBO as at 31 March 2019	237,315

Change in Plan Assets	£'000
Fair value of assets as at 1 April 2018	224,379
Interest income on plan assets	5,271
Return on plan assets greater/(less) than discount rate	7,945
Employer contributions	3,939
Benefits paid	(12,188)
Fair value of assets as at 31 March 2019	229,346

Return on Plan Assets	£'000
Total return on Plan Assets	13,216

The Company also operates a defined contribution pension scheme, the Company's contributions to this scheme totalled £283,000 (2018: £247,000). The amount owed at the year end was £nil (2018: £nil)

21. Financial instruments

The Company enters into hedging transactions where derivative financial instruments are used. The fair value of derivatives held at the year end was:

	2019 £'000	2018 £'000
Foreign currency rate derivatives – forward contracts	1,110	315

22. Contingent liabilities

As of March 31, 2019, the senior secured credit facilities consisted of (i) a $1.8 billion five-year secured term loan credit facility (Term Loan Facility) and (ii) a $1.0 billion five-year asset based loan facility (ABL Revolver). As of March 31, 2019, $18 million of the Term Loan Facility is due within one year. All the assets of the Company, along with those of certain other companies in the Novelis Inc. group, have been pledged as security for these facilities. As of March 31, 2019, there were no borrowings outstanding on the ABL facility. (2018: $12m).

23. Ultimate parent company

In the opinion of the directors, the ultimate parent company and controlling party at the balance sheet date was Hindalco Industries Ltd, a company incorporated in India. Hindalco Industries Ltd was also the parent company of the largest group in which Novelis UK Ltd is included. Novelis Inc is the parent company of the smallest group in which the consolidated results of Novelis UK Ltd is included. Copies of this company's financial statements can be obtained from its head office at Century Bhavan, 3rd floor, Dr. Annie Besant Road, Worli, Mumbai 400 030.

The Company's immediate parent company is Novelis Europe Holdings Limited, a company incorporated in England and Wales.