

Registered number:
09306909

AERO METALS ALLIANCE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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AERO METALS ALLIANCE UK LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | S A Hussey A Roberts C C Norch |
| Company secretary | M Hale |
| Registered number | 09306909 |
| Registered office | Parkway House Unit 6 Parkway Industrial Estate Pacific Avenue Wednesbury WS10 7WP |
| Independent auditor | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS |

AERO METALS ALLIANCE UK LIMITED

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AERO METALS ALLIANCE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the year, after taxation, amounted to £11,409,139 (2016: loss £4,773,901).

The directors have not recommended a dividend (2016: £Nil).

Directors

The directors who served during the year were:

L Burns (resigned 22 September 2017)
S A Hussey
A Roberts
C C Norch

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and profit or loss of the company and group 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 accounting 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 the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AERO METALS ALLIANCE UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial risk management objectives and policies

The group uses a variety of financial instruments including cash, borrowings, equity investments and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the group's operations.

The directors are of the view that the main risks arising from the group's financial instruments are liquidity risk, market risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Market risk

The group is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Fluctuations in metal prices are reviewed on a regular basis and taken into consideration when placing purchase orders and setting the selling price of the group's stock range.

Credit risk

The group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set a policy of monitoring exposure with customers based on a combination of payment history and third party credit references. Exposure levels are reviewed by senior management on a regular basis.

Employee consultation and disabled employees

Recruitment policies are designed to ensure equal opportunity of employment. Appropriate consideration is given to disabled applicants in offering employment.

Good communications and relations with employees are attempted, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management are kept informed of group developments in certain financial, commercial, strategic and personnel matters as needed, and are thereby enabled to inform and discuss with employees as appropriate at the individual operating units.

Qualifying third party indemnity provisions

The company has maintained directors' and officers' liability insurance in respect of its directors.

Provision of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- each director has 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 and the group's auditor is aware of that information.

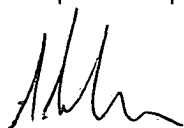
AERO METALS ALLIANCE UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.



A Roberts
Director

Date: 28 September 2018

AERO METALS ALLIANCE UK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the period ended 31 December 2017.

Principal activities

The principal activity of the group during the year was that of stockholders and distributors of aerospace metals and the principal activity of this company was to act as a holding company.

Business review and future developments

The loss for the year, after taxation, amounted to £11,409,139 (2016: loss of £4,773,901). The directors have not recommended a dividend (2016: £Nil).

Various key performance indicators are used by the directors to monitor and compare the performance of the group. They regard the following as the key financial indicators of performance, all of which can be observed in the attached financial statements.

- Turnover £41.3 million (2016: £43.8 million)
- Loss before tax £11.5 million (2016: loss of £4.8 million)
- Net assets £5.0 million (2016: £3.4 million)
- Average number of employees increased from 171 to 176

The directors of the group are not satisfied with the results for the year. Whilst gross profit decreased compared to 2016, in a broadly flat market, operating expenses have been subject to inflationary pressures, with some investment for future growth. To provide a platform for sustainable growth and to negate the impact of the specific risks and uncertainties highlighted below, the group will continue to implement operational efficiency improvements, thereby enhancing productivity and reducing operating expenses.

During the year, Aero Metals Alliance (UK) Limited took the decision to restructure its businesses which resulted in the sale of the Amari Aerospace Limited business to Wilsons Limited in May 2017.

Principal risks and uncertainties

The principal risks and uncertainties of the group are fluctuations in raw material prices, movements in exchange rates, continuing political instability including the effect of Brexit on the economy, changes in government legislation, costs of complying with excessive and burdensome government regulation and the credit risk arising from trade debtors.

Whilst the group takes action to mitigate the principal risks, where possible, there are specific risks and uncertainties outside of its control that could impact on the future financial performance of the group. Specific examples of such risks relates to government imposed levies, including the Apprenticeship Levy; which could result in a significant increase in the operating costs of the group and a subsequent reduction in profitability and capital available for future reinvestment with no net benefit to the group or the nation.

The ultimate shareholder has requested that the directors include the following statement in the strategic report - the ultimate parent company is privately held, as is the company, and they believe the requirement to publish private accounts is a violation of both the spirit and law under European Union right to privacy legislation.

AERO METALS ALLIANCE UK LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Going concern

The directors of the parent undertaking, Aero Metals Alliance (UK) Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The company participates in a group treasury function available to the parent and all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

This report was approved by the board and signed on its behalf.



A Roberts
Director

Date: 28 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AERO METALS ALLIANCE UK LIMITED

Qualified Opinion

We have audited the financial statements of Aero Metals Alliance UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the Basis for Qualified Opinion section of our report the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Included in stock shown on the consolidated statement of financial position as at 31 December 2017 is a stock provision of £4,289,000 (2016: £5,465,000) against specific stock lines. Subsequent to the year end, and prior to the approval of these financial statements, the group had sold some of these stock lines at a level in excess of their original cost and therefore the carrying value of stock as at 31 December 2017 had been understated by £847,000 (2016: £1,054,000). This matter also caused us to qualify our audit opinion on the financial statements relating to the year ended 31 December 2016. Accordingly and in our opinion, the loss for the year should be increased to reflect the excess stock provisions held as at 31 December 2017 by £207,000 (2016: loss increased by £124,000), stocks held should be increased by £847,000 as at 31 December 2017 (2016: £1,054,000), and retained earnings should be increased by £847,000 as at 31 December 2017 (2016: £1,054,000).

During the period to 31 December 2015, the company acquired Wilsons Limited. Included in the stock balance acquired as at 29 December 2014 was a provision against specific stock lines of £4,296,000. On accounting for the acquisition, no fair value adjustment to the book value of stock acquired was recorded in the consolidated financial statements as required by the purchase method of accounting for business combinations. Accordingly and in our opinion, the fair value of the stock provision, and consequently goodwill arising on acquisition, was overstated by approximately £850,000 within the consolidated statement of financial position as at 31 December 2015. Amortisation of goodwill for financial year ended 31 December 2017 is overstated by £170,000 (2016: £170,000), and the impairment charge is overstated by £340,000 for the financial year ended 31 December 2017 (2016: £nil) within the consolidated statement of comprehensive income. The net impact on the financial statements would have been a reduction in the carrying value of goodwill of £510,000 in the financial year ended 31 December 2016 and a reduction in loss for the year of £510,000 in 2017 (2016: £170,000). This matter caused us to qualify our audit opinion on the financial statements for the financial year ended 31 December 2016. Our opinion is not qualified in this respect as to the balance sheet as at 31 December 2017.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AERO METALS ALLIANCE UK LIMITED
(CONTINUED)**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Who we are reporting to

This report is made solely to the company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 group's or the parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AERO METALS ALLIANCE UK LIMITED
(CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AERO METALS ALLIANCE UK LIMITED
(CONTINUED)**

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.


John Coates BSc BFP FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Senior Statutory Auditor
Chartered Accountants
Reading

Date: 28 September 2018

AERO METALS ALLIANCE UK LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 £ | 2016 £ |
|---|------|----------------------------|---------------------------|
| Turnover | 4 | 41,329,148 | 43,824,910 |
| Change in stocks of finished goods and work in progress | | (750,525) | (2,252,556) |
| Raw materials and consumables | | (33,768,439) | (32,644,482) |
| Other external charges | | (7,593,832) | (5,432,627) |
| Staff costs | | (5,624,879) | (5,445,765) |
| Depreciation and amortisation | | (4,439,371) | (2,047,809) |
| Operating loss | 5 | (10,847,898) | (3,998,329) |
| Interest expense and similar charges | 9 | (631,951) | (840,273) |
| Loss on ordinary activities before taxation | | (11,479,849) | (4,838,602) |
| Tax credit on loss on ordinary activities | 10 | 70,710 | 64,701 |
| Loss for the financial year | | <u>(11,409,139)</u> | <u>(4,773,901)</u> |
| Total comprehensive loss for the year | | <u>(11,409,139)</u> | <u>(4,773,901)</u> |
| Loss for the year attributable to: | | | |
| Owners of the parent company | | <u>(11,409,139)</u> | <u>(4,773,901)</u> |
| Total comprehensive loss for the year attributable to: | | | |
| Owners of the parent company | | <u>(11,409,139)</u> | <u>(4,773,901)</u> |

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 36 form part of these financial statements.

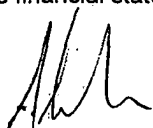
All amounts relate to continuing operations.

AERO METALS ALLIANCE UK LIMITED
REGISTERED NUMBER: 09306909

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Note | 2017 £ | 2016 £ |
|--|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Intangible assets | 11 | 886,640 | 4,950,006 |
| Tangible assets | 12 | 918,844 | 1,065,060 |
| | | <u>1,805,484</u> | <u>6,015,066</u> |
| Current assets | | | |
| Stocks | 14 | 16,194,388 | 16,955,878 |
| Debtors: amounts falling due within one year | 15 | 11,322,937 | 9,897,323 |
| Cash at bank and in hand | 16 | 7,679,173 | 11,181,113 |
| | | <u>35,196,498</u> | <u>38,034,314</u> |
| Creditors: amounts falling due within one year | 17 | (31,867,703) | (40,315,112) |
| Net current assets/(liabilities) | | <u>3,328,795</u> | <u>(2,280,798)</u> |
| Total assets less current liabilities | | <u>5,134,279</u> | <u>3,734,268</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 19 | (129,313) | (200,023) |
| Other provisions | 20 | (345,658) | (465,798) |
| Net assets | | <u><u>4,659,308</u></u> | <u><u>3,068,447</u></u> |
| Capital and reserves | | | |
| Called up share capital | 24 | 25,000,000 | 12,000,000 |
| Profit and loss account | 25 | (20,340,692) | (8,931,553) |
| Shareholder's fund | | <u><u>4,659,308</u></u> | <u><u>3,068,447</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A Roberts
Director

Date: 28th September 2018


The notes on pages 17 to 36 form part of these financial statements.

AERO METALS ALLIANCE UK LIMITED
REGISTERED NUMBER: 09306909

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Note | 2017 £ | 2016 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 16,859 | - |
| Investments | 13 | 6,592,664 | 12,260,961 |
| | | <u>6,609,523</u> | <u>12,260,961</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 15 | 9,343,947 | 7,904,059 |
| Cash at bank and in hand | 16 | 7,245,060 | 6,721,964 |
| | | <u>16,589,007</u> | <u>14,626,023</u> |
| Creditors: amounts falling due within one year | 17 | (19,062,897) | (28,416,543) |
| Net current liabilities | | <u>(2,473,890)</u> | <u>(13,790,520)</u> |
| Total assets less current liabilities | | <u>4,135,633</u> | <u>(1,529,559)</u> |
| Net assets/(liabilities) | | <u>4,135,633</u> | <u>(1,529,559)</u> |
| Capital and reserves | | | |
| Called up share capital | 24 | 25,000,000 | 12,000,000 |
| Profit and loss account brought forward | | (13,529,559) | (2,599,079) |
| Loss for the year | | (7,334,808) | (10,930,480) |
| | | <u>(20,864,367)</u> | <u>(13,529,559)</u> |
| Shareholder's fund | | <u>4,135,633</u> | <u>(1,529,559)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


A Roberts
 Director

Date: 28th September 2018

The notes on pages 17 to 36 form part of these financial statements.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

AERO METALS ALLIANCE UK LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Share capital £ | Profit and loss account £ | Total £ |
|--|--------------------------|---------------------------------|-------------------------|
| At 1 January 2016 | 8,000,000 | (4,157,652) | 3,842,348 |
| Loss for the year | - | (4,773,901) | (4,773,901) |
| Total comprehensive loss for the period | - | (4,773,901) | (4,773,901) |
| Shares issued during the year | 4,000,000 | - | 4,000,000 |
| Total transactions with owner | 4,000,000 | - | 4,000,000 |
| At 1 January 2017 | 12,000,000 | (8,931,553) | 3,068,447 |
| Loss for the year | - | (11,409,139) | (11,409,139) |
| Total comprehensive loss for the period | - | (11,409,139) | (11,409,139) |
| Shares issued during the year | 13,000,000 | - | 13,000,000 |
| Total transactions with owner | 13,000,000 | - | 13,000,000 |
| At 31 December 2017 | <u>25,000,000</u> | <u>(20,340,692)</u> | <u>4,659,308</u> |

The notes on pages 17 to 36 form part of these financial statements.

AERO METALS ALLIANCE UK LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Share capital £ | Profit and loss account £ | Total £ |
|--|-----------------------|---------------------------------|---------------------|
| At 1 January 2016 | 8,000,000 | (2,599,079) | 5,400,921 |
| Loss for the year | - | (10,930,480) | (10,930,480) |
| Total comprehensive loss for the period | <u>-</u> | <u>(10,930,480)</u> | <u>(10,930,480)</u> |
| Shares issued during the year | 4,000,000 | - | 4,000,000 |
| Total transactions with owner | 4,000,000 | - | 4,000,000 |
| At 1 January 2017 | 12,000,000 | (13,529,559) | (1,529,559) |
| Loss for the year | - | (7,334,808) | (7,334,808) |
| Total comprehensive loss for the year | <u>-</u> | <u>(7,334,808)</u> | <u>(7,334,808)</u> |
| Shares issued during the year | 13,000,000 | - | 13,000,000 |
| Total transactions with owner | 13,000,000 | - | 13,000,000 |
| At 31 December 2017 | <u>25,000,000</u> | <u>(20,864,367)</u> | <u>4,135,633</u> |

The notes on pages 17 to 36 form part of these financial statements.

AERO METALS ALLIANCE UK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | 2017 £ | 2016 £ |
|---|--------------------|------------------|
| Cash flows from operating activities | | |
| Loss for the financial year | (11,409,139) | (4,773,901) |
| Adjustments for: | | |
| Amortisation of intangible assets | 1,690,562 | 1,650,002 |
| Depreciation of tangible assets | 350,800 | 397,804 |
| Impairment of intangible assets | 2,372,804 | - |
| Loss on disposal of tangible assets | 25,199 | 1,145 |
| Interest paid | 632,002 | 840,243 |
| Taxation credit | (70,710) | (64,701) |
| Decrease in stocks | 761,490 | 2,208,328 |
| (Increase)/decrease in debtors | (1,496,327) | 324,419 |
| (Decrease) in creditors | (208,478) | (135,570) |
| Decrease in provisions | (120,140) | (171,207) |
| Foreign exchange movement | (89,294) | 51,455 |
| Net cash generated from operating activities | (7,561,231) | 328,017 |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (232,784) | (159,961) |
| Sale of tangible fixed assets | 3,000 | 1,350 |
| Net cash from investing activities | (229,784) | (158,611) |

AERO METALS ALLIANCE UK LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | 2017 £ | 2016 £ |
|---|-------------------------|--------------------------|
| Cash flows from financing activities | | |
| Issue of ordinary shares | 13,000,000 | 4,000,000 |
| New loans | 23,700,000 | 4,696,579 |
| Repayment of loans | (32,500,000) | - |
| New loans from group companies | - | 250,000 |
| Interest paid | (659,804) | (726,661) |
| Increase in invoice discounting finance | 693,001 | - |
| Net cash used in financing activities | 4,233,197 | 8,219,918 |
| Net (decrease)/increase in cash and cash equivalents | (3,557,818) | 8,389,324 |
| Cash and cash equivalents at beginning of year | 11,181,113 | 2,791,789 |
| Cash and cash equivalents at the end of year | <u>7,623,295</u> | <u>11,181,113</u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 7,679,173 | 11,181,113 |
| Bank overdrafts | (55,878) | - |
| | <u>7,623,295</u> | <u>11,181,113</u> |

The notes on pages 17 to 36 form part of these financial statements.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

The company is a private company limited by shares and is registered in England and Wales.

Registered Number: 09306909

Registered office: Parkway House, Unit 6 Parkway Industrial Estate, Pacific Avenue, Wednesbury, WS10 7WP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors of the parent undertaking, Aero Metals Alliance (UK) Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The company participates in a group treasury function available to the parent and all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

2.3 Consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Turnover

Turnover shown in the income statement represents the total invoice value of goods supplied during the period, exclusive of Value Added Tax.

Turnover is recognised when all of the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller's price to the buyer is fixed and determinable; and
- collectability is reasonably assured

2.5 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Intangible assets

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight line basis to the income statement on the following bases:

| | | |
|------------------------|---|---------|
| Goodwill | - | 5 years |
| Customer relationships | - | 5 years |

Intangible fixed assets are assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.7 Tangible fixed assets and depreciation (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-----------------------------------|-----------------------|
| Leasehold Property Improvements | - over the lease term |
| Plant, Equipment & Motor Vehicles | - 9 - 33% |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Stocks

Stocks are valued at the lower of either cost or net realisable value after making due allowance for obsolete and slow moving stocks.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

2.14 Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest income is recognised in the income statement using the effective interest method.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

2.17 Pensions

The group participates in a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions are charged to the income statement.

2.18 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.18 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Property dilapidations

Under certain operating leases for land and buildings, the company is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The company charges amounts to the income statement so that, by the end of the lease, a total provision is accrued that is estimated to be equal to the future costs of those dilapidations obligation. Where repairs are made part way through the lease that will reduce the estimated costs of the dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision.

2.20 Invoice discounting

The group uses an invoice discount facility and retains all significant benefits and risks relating to debts. The gross amount of the debts are included within assets and a corresponding liability in respect of proceeds received from the facility are shown within liabilities. The interest and charges are recognised as they accrue and are included in the income statement with other interest charges.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Provisions

Provision is made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

Trade debtors

Management applies judgment in evaluating the recoverability of debtors. To the extent that the directors believe debtors not to be recoverable they have been provided for in the financial statements.

Stock

Management applies judgment in evaluating stock for obsolescence. This judgment is based on management knowledge of the stock and customer demand, as well as stock age. At each balance sheet date, stocks are assessed for impairment and written down where appropriate.

Valuation of fixed asset investments

The company considers whether investments held in subsidiaries are impaired. Where indicators of impairment are identified the carrying value of the investment is compared to the underlying net assets of the subsidiary and provisions reflected where required.

Fair values on acquisition of subsidiaries

The fair value of intangible assets acquired on the acquisition of subsidiaries involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including contracted customer sales, profit margins and customer attrition rates. In addition the use of discount rates requires judgement.

4. Turnover

The whole of the turnover is attributable to the principal activity of the group. A geographical analysis of turnover is as follows:

| | 2017 £ | 2016 £ |
|------------------------|-------------------|-------------------|
| United Kingdom | 32,275,988 | 34,633,427 |
| Rest of European Union | 7,207,929 | 4,870,863 |
| Rest of world | 1,845,231 | 4,320,620 |
| | <u>41,329,148</u> | <u>43,824,910</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Operating loss

The operating loss is stated after charging / (crediting):

| | 2017 | 2016 |
|---|----------------------|---------------------|
| | £ | £ |
| Depreciation of tangible fixed assets | 350,800 | 397,807 |
| Amortisation of intangible assets, including goodwill | 1,690,562 | 1,650,002 |
| Impairment of intangible assets, including goodwill | 2,372,804 | - |
| Operating lease rentals: | | |
| - plant and machinery | 716,109 | 502,828 |
| - land and buildings | 1,170,410 | 1,009,509 |
| (Profit)/loss on foreign exchange transactions | (89,294) | 51,455 |
| Loss on disposal of tangible assets | <u>25,204</u> | <u>1,145</u> |

6. Auditor's remuneration

| | 2017 | 2016 |
|---|----------------------|----------------------|
| | £ | £ |
| Fees payable to the group's auditor in respect of: | | |
| Audit of the group's annual financial statements | 5,750 | 4,000 |
| Audit of the accounts of the subsidiaries | <u>48,015</u> | <u>38,500</u> |
| Fees payable to the group's auditor in respect of: | | |
| Taxation compliance services | 8,075 | 8,000 |
| Other accounting services | <u>9,500</u> | <u>9,500</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | Group 2017 £ | Group 2016 £ |
|-------------------------------------|-----------------------------|-----------------------------|
| Wages and salaries | 4,989,273 | 4,804,390 |
| Social security costs | 441,725 | 430,576 |
| Cost of defined contribution scheme | 194,956 | 210,799 |
| | <u>5,625,954</u> | <u>5,445,765</u> |

The average monthly number of employees, excluding the directors, during the year was as follows:

| | 2017 No. | 2016 No. |
|--|---------------------|---------------------|
| | <u>176</u> | <u>171</u> |

8. Directors' remuneration

| | 2017 £ | 2016 £ |
|---------------------------------|-----------------------|-----------------------|
| Directors' emoluments | 208,791 | 313,468 |
| Other pension costs | 7,495 | 7,800 |
| Compensation for loss of office | - | 52,942 |
| | <u>216,286</u> | <u>374,210</u> |

During the year retirement benefits were accruing to 2 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £123,446 (2016: £166,018).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,695 (2016: £7,800).

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. Interest expense and similar charges

| | 2017 £ | 2016 £ |
|-------------------------------------|----------------|----------------|
| Other external interest expense | 46,946 | 45,190 |
| Interest expense to related parties | 585,005 | 795,083 |
| | <u>631,951</u> | <u>840,273</u> |

10. Taxation

| | 2017 £ | 2016 £ |
|--|-----------------|-----------------|
| Deferred tax | | |
| Origination and reversal of timing differences | (70,710) | (64,701) |
| Total deferred tax | <u>(70,710)</u> | <u>(64,701)</u> |

Taxation on loss on ordinary activities

| | |
|-----------------|-----------------|
| <u>(70,710)</u> | <u>(64,701)</u> |
|-----------------|-----------------|

Factors affecting tax charge for the year

The tax credit assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%). The differences are explained below:

| | 2017 £ | 2016 £ |
|--|---------------------|--------------------|
| Loss on ordinary activities before tax | <u>(11,479,849)</u> | <u>(4,838,603)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.0%) | (2,209,871) | (967,721) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 13,917 | 15,274 |
| Fixed asset timing differences | 790,633 | 335,921 |
| Unrelieved tax losses carried forward | 1,180,559 | 520,289 |
| Difference in tax rates - opening deferred tax | (106,670) | (37,026) |
| Difference in tax rates - closing deferred tax | 260,722 | 68,562 |
| Total tax credit for the year | <u>(70,710)</u> | <u>(64,701)</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate decreased from 20% to 19% from April 2017 and a further reduction to 17% in April 2020 is currently planned.

11. Intangible assets

Group

| | Customer Relationships £ | Goodwill £ | Total £ |
|-----------------------|--------------------------------|------------------|------------------|
| Cost | | | |
| At 1 January 2017 | 2,318,000 | 5,932,010 | 8,250,010 |
| At 31 December 2017 | 2,318,000 | 5,932,010 | 8,250,010 |
| Amortisation | | | |
| At 1 January 2017 | 927,200 | 2,372,804 | 3,300,004 |
| Charge for the year | 504,160 | 1,186,402 | 1,690,562 |
| Impairment charge | - | 2,372,804 | 2,372,804 |
| At 31 December 2017 | 1,431,360 | 5,932,010 | 7,363,370 |
| Net book value | | | |
| At 31 December 2017 | <u>886,640</u> | <u>-</u> | <u>886,640</u> |
| At 31 December 2016 | <u>1,390,800</u> | <u>3,559,206</u> | <u>4,950,006</u> |

The company held no intangible assets as at 31 December 2017 (2016: £Nil).

An impairment charge of £2,372,804 (2016: £Nil) has been recognised in the consolidated statement of comprehensive income against goodwill arising on previous acquisitions, due to a deficiency in the net assets.

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tangible fixed assets

Group

| | Long-term leasehold property £ | Plant, Equipment & Motor Vehicles £ | Total £ |
|-----------------------------|---|---|------------------|
| Cost | | | |
| At 1 January 2017 | 607,454 | 3,336,594 | 3,944,048 |
| Additions | 75,169 | 157,615 | 232,784 |
| Disposals | (85,344) | (130,002) | (215,346) |
| At 31 December 2017 | <u>597,279</u> | <u>3,364,207</u> | <u>3,961,486</u> |
| Depreciation | | | |
| At 1 January 2017 | 204,961 | 2,674,027 | 2,878,988 |
| Charge owned for the period | 86,101 | 264,699 | 350,800 |
| Disposals | (65,102) | (122,044) | (187,146) |
| At 31 December 2017 | <u>225,960</u> | <u>2,816,682</u> | <u>3,042,642</u> |
| Net book value | | | |
| At 31 December 2017 | <u>371,319</u> | <u>547,525</u> | <u>918,844</u> |
| At 31 December 2016 | <u>402,493</u> | <u>662,567</u> | <u>1,065,060</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tangible fixed assets (continued)

Company

| | Plant, Equipment & Motor Vehicles £ |
|-----------------------------|--|
| Cost | |
| Additions | 20,034 |
| At 31 December 2017 | <u>20,034</u> |
| Depreciation | |
| Charge owned for the period | 3,175 |
| At 31 December 2017 | <u>3,175</u> |
| Net book value | |
| At 31 December 2017 | <u><u>16,859</u></u> |
| At 31 December 2016 | <u><u>-</u></u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Fixed asset investments

At the year end, the company has 100% interest in the ordinary share capital of the following subsidiary companies (all of which are included in these consolidated financial statements unless indicated otherwise):

Subsidiary undertakings

| Name | Nature of business |
|-------------------------|---------------------------|
| Wilsons Limited | Metal stockholding |
| Gould Alloys Limited | Metal stockholding |
| Amari Aerospace Limited | Non-Trading |

All of the above companies are incorporated in England and Wales.

Company

| | Investments in subsidiary undertakings £ |
|-----------------------|---|
| Cost | |
| At 1 January 2017 | 24,500,000 |
| At 31 December 2017 | <u>24,500,000</u> |
| Impairment | |
| At 1 January 2017 | 12,239,039 |
| Charge for the period | 5,668,297 |
| At 31 December 2017 | <u>17,907,336</u> |
| Net book value | |
| At 31 December 2017 | <u><u>6,592,664</u></u> |
| At 31 December 2016 | <u><u>12,260,961</u></u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Stocks

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|-----------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Goods held for resale | <u>16,194,388</u> | <u>16,955,878</u> | <u>-</u> | <u>-</u> |

A provision of £4,289,469 (2016: £5,464,690) has been recognised against the stock balance due to slow-moving and obsolete stock. The net reversal of the provision of £1,175,221 (2016: increase £112,733) has been recognised in cost of sales.

15. Debtors

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors | 10,251,169 | 9,335,130 | 27,220 | 98,785 |
| Amounts owed by group undertakings | - | - | 8,978,908 | 7,500,000 |
| Amounts owed by related parties | 278,695 | - | 278,695 | - |
| Other debtors | 258,310 | 59,845 | - | 206,259 |
| Prepayments and accrued income | 534,763 | 502,348 | 59,124 | 99,015 |
| | <u>11,322,937</u> | <u>9,897,323</u> | <u>9,343,947</u> | <u>7,904,059</u> |

A provision of £183,054 (2016: £46,594) has been recognised against trade debtors. The net increase of the provision of £136,459 (2016: £42,457) has been recognised in other external charges.

Amounts owed by group undertakings are repayable on demand, incur interest at 2.5% above the Bank of England base rate and are unsecured.

16. Cash and cash equivalents

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | 7,679,173 | 11,181,113 | 7,245,060 | 6,721,964 |
| Less: bank overdrafts | (55,878) | - | - | - |
| | <u>7,623,295</u> | <u>11,181,113</u> | <u>7,245,060</u> | <u>6,721,964</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. Creditors: Amounts falling due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank overdrafts | 55,878 | - | - | - |
| Bank borrowings | 2,271,768 | 4,696,579 | - | - |
| Trade creditors | 5,893,045 | 6,454,980 | 3,149 | 395,970 |
| Amounts owed to group companies | - | - | 1,085 | - |
| Amounts owed to parent undertaking | 18,700,000 | 27,500,000 | 18,700,000 | 27,500,000 |
| Other taxation and social security | 360,387 | 541,078 | 64,443 | 25,631 |
| Other creditors | 3,281,869 | 46,164 | - | - |
| Accruals | 1,304,756 | 893,399 | 294,220 | 494,942 |
| Financial instruments | - | 182,912 | - | - |
| | <u>31,867,703</u> | <u>40,315,112</u> | <u>19,062,897</u> | <u>28,416,543</u> |

The amounts owed to parent undertaking are unsecured and incur interest at the rate of 2.5% above the Bank of England base rate. The balance due is repayable on demand.

The bank borrowings under creditors falling due within one year relate to the invoice discounting and inventory facilities provided by Lloyds Bank Commercial Finance Limited and are secured against the associated trade debtors balance and by fixed and floating charges against the assets of the group.

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Financial instruments

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|--|---------------------|---------------------|----------------------|----------------------|
| Financial assets | | | | |
| Financial assets that are debt instruments measured at amortised cost | <u>10,788,174</u> | <u>9,394,975</u> | <u>9,284,823</u> | <u>7,805,044</u> |
| Financial liabilities | | | | |
| Derivative financial instruments measured at fair value through profit or loss | - | (182,912) | - | - |
| Financial liabilities measured at amortised cost | <u>(31,507,316)</u> | <u>(39,591,122)</u> | <u>(18,998,454)</u> | <u>(28,390,912)</u> |
| | <u>(31,507,316)</u> | <u>(39,774,034)</u> | <u>(18,998,454)</u> | <u>(28,390,912)</u> |

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to parent undertaking.

Derivative financial liabilities measured at fair value through profit or loss comprise forward foreign currency contracts to hedge currency exposure on firm future commitments.

19. Deferred taxation

| Group | 2017 £ | 2016 £ |
|---|------------------|------------------|
| At beginning of year | (200,023) | (264,724) |
| Income statement movement during the year | 70,710 | 64,701 |
| At 31 December 2017 | <u>(129,313)</u> | <u>(200,023)</u> |

AERO METALS ALLIANCE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

| | Group 2017 £ | Group 2016 £ |
|--------------------------------|-----------------------------|-----------------------------|
| Fixed asset timing differences | <u>(129,313)</u> | <u>(200,023)</u> |

There was no deferred tax asset or liability for the parent company at 31 December 2017 and 31 December 2016.

20. Provisions

Group

| | Dilapidation provision £ |
|-------------------------------|---|
| At 1 January 2017 | 465,798 |
| Charged to the profit or loss | 239,860 |
| Utilised in year | (360,000) |
| At 31 December 2017 | <u>345,658</u> |

The dilapidation provision represents obligations under tenancy leases and is expected to be utilised over the remaining lease terms.

The dilapidation provision for the parent company at 31 December 2017 and 31 December 2016 was £nil.

21. Capital commitments

At 31 December 2017 amounts authorised but not contracted for amount to £Nil (2016: £23,740).

22. Pension commitments

The group operate defined contribution pension schemes for the benefit of all enrolled UK employees. The pension cost for the period represents contributions due by the group to the schemes in respect of the financial period and amounted to £194,956 (2016: £210,799). Amounts outstanding at the year end were £Nil (2016: £Nil).

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23. Operating lease commitments

At 31 December 2017 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

| | Group 2017 £ | Group 2016 £ |
|----------------------------|-----------------------------|-----------------------------|
| Land and buildings | | |
| Within one year | 887,127 | 942,500 |
| Between two and five years | 3,372,707 | 3,339,167 |
| After more than five years | 6,996,607 | 8,022,500 |
| | <u>11,256,441</u> | <u>12,304,167</u> |
| | Group 2017 £ | Group 2016 £ |
| Other commitments | | |
| Within one year | 610,021 | 610,993 |
| Between two and five years | 1,098,937 | 1,577,254 |
| | <u>1,708,958</u> | <u>2,188,247</u> |

24. Share capital

| | 2017 £ | 2016 £ |
|--|--------------------------|--------------------------|
| Allotted, called up and fully paid | | |
| 25,000,000 (2016: 12,000,000) Ordinary shares of £1 each | <u>25,000,000</u> | <u>12,000,000</u> |

During the year the company has allotted and issued 13,000,000 Ordinary shares of £1 each at nominal value for cash consideration.

25. Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current period retained profits and losses.

AERO METALS ALLIANCE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

26. Contingent liabilities

The group and company are party to a group banking facility, including a cross guarantee, which has been advanced to the group of companies headed by Aero Metals Alliance UK Limited. Neither the group nor the company have pledged assets as security for this facility.

The contingent liability under this arrangement, being the aggregate bank borrowings of the group at 31 December 2017 was £5,389,580 (2016: £4,696,579).

There are no other contingent liabilities at 31 December 2017 or 31 December 2016.

27. Related party transactions

During the year, interest of £566,990 (2016: £795,052) was payable to Aero Metals Alliance Inc. in respect of borrowings. A balance of £18,700,000 (2016: £27,500,000) remained outstanding at the year end.

During the year the group made sales to metal distribution companies that are connected by virtue of common directorships of £755,593 (2016: £700,265). At the year end £278,695 (2016: no material amounts) was outstanding.

During the year the group made purchases from metal distribution companies that are connected by virtue of common directorships of £66,167 (2016: £466,713). No material amounts were outstanding as at the year end.

The group also made payments to a company connected to certain directors of Aero Metals Alliance Inc. in respect of leases of £510,000 (2016: £510,000). No material amounts were outstanding as at the year end.

Compensation paid to key management personnel who are also directors is considered to relate to the directors remuneration as disclosed within the notes to the financial statements.

28. Ultimate parent undertaking and controlling party

The immediate and ultimate parent company and controlling party is Aero Metals Alliance, Inc. a company registered in the USA.

The largest and smallest group of undertakings for which audited group accounts have been drawn up is that headed by Aero Metals Alliance UK Limited.