Registered number: 00345279

Group Strategic Report, Report of the Directors and Consolidated Financial Statements for the Year Ended 31 December 2016 for AMG Superalloys UK Limited

AMG Superalloys UK Limited

Contents of the Consolidated Financial Statements for the Year Ended 31 December 2016

AMG Superalloys UK Limited

Company Information
for the Year Ended 31 December 2016

DIRECTORS:	J M Dunckel E E Jackson Mrs L M Scaife K Lawson D R Shea
SECRETARY:	T R C Palmer
REGISTERED OFFICE:	Fullerton Road Rotherham South Yorkshire S60 1DL
REGISTERED NUMBER:	00345279 (England and Wales)
AUDITORS:	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
SOLICITORS:	DLA Piper UK LLP 1 St Paul's Place Sheffield S1 2JX

The directors present their strategic report of the Company and the Group for the year ended 31 December 2016.

REVIEW OF BUSINESS

The Group income statement for the year is set out on page 9. Capital expenditure was $1,033,000 (2015 - $964,000).

	2016	2015
	$'000	$'000
Revenue	124,213	132,338
Profit before tax before exceptionals	7,439	4,677
Total equity	70,606	68,813
EBITDA	9,683	6,099
Return on capital employed	48.1%	15.8%

EBITDA is calculated in accordance with the ultimate parent company's guidelines on reporting actual performance. This is calcualted as the gross margin add back depreciation and amortisation and excludes management services fees and exceptional items. Return on capital employed is calculated using a two point average for capital employed based on the opening and closing balance sheet. Capital employed is calculated as shareholder funds less cash and cash pooling receivable.

The key measures that are used by our shareholders are EBITDA and return on capital employed.

In the chrome metal market, prices continued to soften in 2016 due to a high level of commodity grade Russian material and a fall in demand in the oil and gas sector. A significant reduction in production at a Chinese competitor has not impacted the market as expected due to the reduced demand in the oil and gas sector. Overall sales volumes increased by 31 %.

Chrome metal profitability has increased in the year due to sales volume increases, sales mix improvements and internal cost improvement projects.

At AMG Alpoco in 2014, a provision of $657k was made in respect of terminating sales agency agreements where notice had been formally given to agents. Negotiations have now been concluded and the settlement payments will be made in first half of 2017.

At Alpoco the performance for the year was considered good with profitability improving back to 2014 levels. Sales revenues decreased in the year partly due to the fall in Aluminium LME with the average LME for 2016 being $1,605 per tonne compared to $1,660 per tonne in 2015 and partly due to reducing conversion premiums. Profitability increased due to a mix of increased production volumes, improved sales mix and reduced operating costs. Profitability continues to be negatively affected by the strengthening of the euro versus the US dollar reducing profitability on euro denominated contracts.

Return on capital employed has increased in 2016 as we have sucessfully reduced our working capital and improved profitability.

In 2014, there was a works accident in which an employee suffered a life changing injury. An investigation was undertaken by the Health & Safety Executive (HSE) and resulted in the HSE seeking a prosecution.

The Company pleaded guilty and on 19th December 2016 the Company was sentenced to a fine of £240k and the HSE were awarded their legal costs. In 2015, the Company made a provision of $1,036k for the potential fine and legal fees. The remaining $674k of the provision is no longer required and has been released to the profit and loss account in 2016. The original provision was made prior to the new sentencing guidelines coming into force and estimating the potential fine was very difficult to determine.

REVIEW OF BUSINESS - continued
On the 23rd June 2016 the UK voted in a referendum to leave the European Union. The impact on the Company since the vote has been minimal despite the Company exporting a significant proportion of its sales. At this stage it is too early to forecast the long-term impact of the decision to leave the European Union. In the forthcoming year there may be further insight once Article 50 of the Treaty of the European Union has been invoked.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business is subject to a number of risks. The key business risks affecting the Group are considered to relate to overseas competitors, currency exchange and metal price volatility.

Competition
The metals industry is highly competitive on a worldwide basis. Competition is primarily based on price, quality and timely delivery. In recent years, price competition has been strong as a result of excess capacity in certain products. In addition, export sales of metals and alloys from Russia and China produced in excess of local demand can adversely impact prices in Europe and the United States. New entrants may also increase competition in the metals industry, which could adversely affect the Group. Although facing competition in each of our markets, we do not believe that any single competitor competes in all of our products or markets.

Currency exchange and metal price volatility
The Group's functional currency is US Dollars. A significant proportion of the Group's raw material purchases and sales are in US Dollars. However, the Group has exposure to sales and purchases made in Sterling and sales made in Euros. The Group has developed policies to effectively manage its currency exposures and minimise the risks of currency fluctuations.

The Group has exposures to changes in metal prices. This includes metals that are priced on the London Metal Exchange. The Group monitors and manages its exposures on individual metals and has a hedging policy with the aim of minimising the risks of price fluctuations.

Customer risk
The Group is exposed to the risk of customers defaulting on trade debts or not performing on their contracts. The downturn in the economy over recent years compounds this risk as once sound companies may fail quickly because of existing leverage or lack of financing options. To mitigate this risk, the Group has set credit limits on its customers, which it closely monitors and acts accordingly should circumstances arise.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Group has banking facilities in place, in the event that further cash flow is required.

FUTURE DEVELOPMENTS
The directors believe the Group is in a strong financial position. The Group continues to invest in product development and capital projects, with the aim of improving the Group's profitability.

REPORT APPROVED BY AND SIGNED ON BEHALF OF THE BOARD BY:

....

T R C Palmer
Company Secretary
Date: 12 July 2017

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2016 .

PRINCIPAL ACTIVITY
The principal activity of the Group is to manufacture and merchanting of metallurgical products.

DIVIDENDS
The total distribution of dividends for the year ended 31 December 2016 will be $nil (2015 - $nil).

The directors recommend that no final dividend be paid (2015 - $nil).

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

E E Jackson
Mrs L M Scaife
K Lawson
D R Shea

Others changes in directors holding office are as follows:

Ms A Ard - resigned 29 January 2016
J M Dunckel - appointed 5 February 2016

GOING CONCERN
The Group's business activities, together with the factors likely to affect its future development and financial position have been set out in the Strategic Report. In addition, the Strategic Report also sets out the principal risks and uncertainties. A going concern assessment has been made by the directors with reference to the latest financial performance of the Group, 2017 and 2018 forecasts and available cash liquidity. The Group's actual performance in 2016 was above planned levels and those achieved in 2015. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

EMPLOYEES
Employees are informed regularly about aspects of the business and its progress, which the Company considers relevant to them. As part of the Company's personnel policy, employees are consulted on decisions which affect them and their jobs. The Company endeavours to encourage employees to maintain a sense of identity with its aims and objectives.

Applications for employment by disabled persons are always fully and fairly considered, taking into account the aptitudes and abilities of the applicant concerned. Where employees become disabled, provided they can still perform their duties, the Company endeavours to continue their employment and arrange appropriate training, bearing in mind the handicap or disability. It is the policy of the Company that training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor isaware of that information.

AUDITORS

On 7 October 2016, KPMG was appointed for the first time by the Board of Directors as external auditor of the Company, succeeding Ernst & Young. The Board wishes to express its gratitude for the efficient, professional and smooth transition and handover process from Ernst & Young to KPMG of the audit tasks and activities during the beginning of 2016. KPMG have indicated their willingness to continue in office as auditors of the Company.

REPORT APPROVED BY AND SIGNED ON BEHALF OF THE BOARD BY:

....

T R C Palmer
Company Secretary
Date: 12 July 2017

Statement of Directors' Responsibilities for the Year Ended 31 December 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 the Group and of the profit or loss of the 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 that the financial statements comply with IFRS;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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.

Report of the Independent Auditors to the Members of AMG Superalloys UK Limited

We have audited the financial statements of AMG Superalloys UK Limited for the year ended 31 December 2016 set out on pages 9 to 69. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- 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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

....

Matthew Wilcox (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
Date: 13 July 2017

AMG Superalloys UK Limited

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
CONTINUING OPERATIONS			
Revenue	2	124,213	132,338
Cost of sales		(110,591)	(121,961)
GROSS PROFIT		13,622	10,377
Administrative expenses		(7,161)	(6,733)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		6,461	3,644
Exceptional administrative expenses	4	674	(1,236)
OPERATING PROFIT ITEMS		7,135	2,408
Finance costs	5	(330)	(322)
Finance income	5	1,308	1,355
PROFIT BEFORE TAX	6	8,113	3,441
Income tax	7	(1,361)	(627)
PROFIT FOR THE YEAR		6,752	2,814

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited

Consolidated Statement of Other Comprehensive Income for the Year Ended 31 December 2016

	2016 $'000	2015 $'000
PROFIT FOR THE YEAR	6,752	2,814
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/ gains	(5,464)	5,506
Income tax relating to items of other comprehensive income	812	(1,378)
	(4,652)	4,128
Items that may be reclassified subsequently to profit or loss:		
Derivatives	(643)	1,109
Deferred tax relating to fair value on derivative financial instruments	118	(244)
Current tax relating to fair value on derivative financial instruments	(37)	14
Share based payment expense	255	76
	(307)	955
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR NET OF TAX	(4,959)	5,083
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,793	7,897

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited (Registered number: 00345279)

Consolidated Statement of Financial Position for the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	1,510	1,510
Intangible assets	11	429	448
Property, plant and equipment	12	11,045	11,654
Trade and other receivables	15	-	-
Deferred tax	23	1,474	611
		14,458	14,223
CURRENT ASSETS			
Inventories	14	11,516	14,442
Trade and other receivables	15	90,828	69,755
Tax receivable	20	-	143
Cash and cash equivalents	16	1,221	3,879
		103,565	88,219
TOTAL ASSETS		118,023	102,442
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	30,698	30,698
Capital redemption reserve	18	25,000	25,000
Share based payment reserve	18	3,413	3,158
Accumulated other comprehensive income	18	(15,147)	(9,933)
Retained earnings	18	26,642	19,890
TOTAL EQUITY		70,606	68,813

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited (Registered number: 00345279)

Consolidated Statement of Financial Position - continued
for the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	19	112	144
Pension liability	24	7,243	2,669
Deferred tax	23	562	667
		7,917	3,480
CURRENT LIABILITIES			
Trade and other payables	19	38,872	30,149
Tax payable	20	628	-
		39,500	30,149
TOTAL LIABILTIES		47,417	33,629
TOTAL EQUITY AND LIABILITIES		118,023	102,442

The financial statements were approved by the Board of Directors on 12 July 2017 and were signed on its behalf by:

....

K Lawson
Director

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited (Registered number: 00345279)

Company Statement of Financial Position for the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	1,510	1,510
Intangible assets	11	411	429
Property, plant and equipment	12	8,338	8,754
Investments	13	2,219	2,219
Trade and other receivables	15	-	-
Deferred tax	23	1,417	598
		13,895	13,510
CURRENT ASSETS			
Inventories	14	9,390	12,237
Trade and other receivables	15	85,785	61,043
Tax receivable	20	-	295
Cash and cash equivalents	16	755	3,234
		95,930	76,809
TOTAL ASSETS		109,825	90,319
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	30,698	30,698
Capital redemption reserve	18	25,000	25,000
Share based payment reserve	18	3,413	3,158
Accumulated other comprehensive income	18	(14,876)	(9,828)
Retained earnings	18	22,873	18,265
TOTAL EQUITY		67,108	67,293

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited (Registered number: 00345279)

Company Statement of Financial Position - continued
for the Year Ended 31 December 2016

	Notes	2016 $'000	2015 $'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Pension liability	24	6,908	2,571
Deferred tax	23	420	508
		7,328	3,079
CURRENT LIABILITIES			
Trade and other payables	19	35,322	19,947
Tax payable	15	67	-
		35,389	19,947
TOTAL LIABILTIES		42,717	23,026
TOTAL EQUITY AND LIABILITIES		109,825	90,319
PROFIT FOR THE YEAR		4,608	2,243

The financial statements were approved by the Board of Directors on 12 July 2017 and were signed on its behalf by:

....

K Lawson
Director

AMG Superalloys UK Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital	Retained earnings	Capital redemption reserve
	$'000	$'000	$'000
Balance at 1 January 2015	30,698	17,076	25,000
Changes in equity			
Total comprehensive income	-	2,814	-
Balance at 31 December 2015	30,698	19,890	25,000
Changes in equity			
Total comprehensive income	-	6,752	-
Balance at 31 December 2016	30,698	26,642	25,000

	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000
Balance at 1 January 2015	3,082	(14,940)	60,916
Changes in equity			
Total comprehensive income	76	5,007	7,897
Balance at 31 December 2015	3,158	(9,933)	68,813
Changes in equity			
Total comprehensive income	255	(5,214)	1,793
Balance at 31 December 2016	3,413	(15,147)	70,606

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital	Retained earnings	Capital redemption reserve
	$'000	$'000	$'000
Balance at 1 January 2015	30,698	16,022	25,000
Changes in equity			
Total comprehensive income	-	2,243	-
Balance at 31 December 2015	30,698	18,265	25,000
Changes in equity			
Total comprehensive income	-	4,608	-
Balance at 31 December 2016	30,698	22,873	25,000

	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000
Balance at 1 January 2015	3,082	(14,566)	60,236
Changes in equity			
Total comprehensive income	76	4,738	7,057
Balance at 31 December 2015	3,158	(9,828)	67,293
Changes in equity			
Total comprehensive income	255	(5,048)	(185)
Balance at 31 December 2016	3,413	(14,876)	67,108

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash generated from operations	1	13,639	13,502
Interest paid		(42)	(9)
Tax paid		(665)	(452)
Net cash from operating activities		12,932	13,041
Cash flows used in investing activities			
Purchase of intangible fixed assets		(8)	(4)
Purchase of tangible fixed assets		(1,032)	(964)
Sale of tangible fixed assets		-	119
Net cash used in investing activities		(1,040)	(849)
Cash flows used in financing activities			
Intergroup loan to ultimate parent company		-	16,000
Cash paid to cash pooling arrangement		(15,674)	(43,854)
Interest received		1,124	1,266
Net cash used in financing activities		(14,550)	(26,588)
Decrease in cash and cash equivalents		(2,658)	(14,396)
Cash and cash equivalents at beginning of year	2	3,879	18,275
Cash and cash equivalents at end of year	2	1,221	3,879

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited

Company Statement of Cash Flows for the Year Ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash generated from operations	1	16,096	8,122
Interest paid		169	(9)
Tax paid		(520)	(237)
Net cash from operating activities		15,745	7,876
Cash flows used in investing activities			
Purchase of intangible fixed assets		(7)	(4)
Purchase of tangible fixed assets		(845)	(686)
Sale of tangible fixed assets		-	119
Net cash used in investing activities		(852)	(571)
Cash flows used in financing activities			
Intergroup loan to ultimate parent company		-	16,000
Cash paid to cash pooling arrangement		(18,551)	(38,035)
Interest received		1,179	1,266
Net cash used in financing activities		(17,372)	(20,769)
Decrease in cash and cash equivalents		(2,479)	(13,464)
Cash and cash equivalents at beginning of year	2	3,234	16,698
Cash and cash equivalents at end of year	2	755	3,234

The notes on pages 19 to 69 form part of these financial statements

AMG Superalloys UK Limited

Notes to the Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group

	2016	2015
	$'000	$'000
Profit before income tax	8,113	3,441
Depreciation charges	1,638	1,536
Amortisation charges	26	29
Loss on disposal of fixed assets	4	2
Pension credit	(973)	(453)
Performance stock unit expense	203	71
Net finance expense	(978)	(1,033)
	8,033	3,593
Increase in inventories	2,926	989
(Increase)/ decrease in trade and other receivables	(5,399)	9,888
Increase/ (decrease) in trade and other payables	8,079	(968)
Cash generated from operations	13,639	13,502

Company

	2016	2015
	$'000	$'000
Profit before income tax	5,442	2,694
Depreciation charges	1,261	1,169
Amortisation charges	25	25
Profit on disposal of fixed assets	-	2
Pension credit	(1,007)	(511)
Performance stock unit expense	203	71
Net finance income	(815)	(979)
	5,109	2,471
Decrease in inventories	2,847	542
(Decrease)/ increase in trade and other receivables	(6,191)	4,688
Increase in trade and other payables	14,331	421
Cash generated from operations	16,096	8,122

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Group
Year ended 31 December 2016

	31.12.2016	01.01.2016
	$'000	$'000
Cash and cash equivalents	1,221	3,879

Year ended 31 December 2015

	31.12.2015	01.01.2015
	$'000	$'000
Cash and cash equivalents	3,879	18,275

Company
Year ended 31 December 2016

	31.12.2016	01.01.2016
	$'000	$'000
Cash and cash equivalents	755	3,234

Year ended 31 December 2015

	31.12.2015	01.01.2015
	$'000	$'000
Cash and cash equivalents	3,234	16,698

1. ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ('IFRS') and in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention.

Going concern
A going concern assessment has been made by the directors with reference to the latest financial performance of the Group. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial instruments.

Basis of consolidation
The Group financial statements include the results of the Company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

Revenue recognition
Revenue is recognised upon transfer of the risks and rewards of ownership, and in accordance with terms of shipment using Incoterms 2010. Revenue represents amounts invoiced to customers excluding discounts, rebates, VAT and other sales taxes or duty. Transfer of risks and rewards usually occurs when title and risk of loss pass to the customer. In the case of export sales, title may not pass until the product reaches a foreign port.

Where consignment stock arrangements are in place, revenue is recognised upon withdrawal from consignment by the customer or, where relevant, on expiry of fixed contractual term.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Development costs associated with the registration of substances relating to the Registration, Evaluation, Authorisation & Restriction of Chemicals (REACH) regime are capitalised as intangible assets as the expenditure is incurred. Costs include any testing and documentation costs, legal fees and registration costs associated with the registration of the substances.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

continued...

1. **ACCOUNTING POLICIES - continued**

Intangible assets - continued
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged in the income statement on a straight-line basis over the estimated lives of each part of an item of property, plant and equipment. Land and construction in progress are not depreciated.

If there is a permanent diminution in value, the item is written down to its estimated recoverable amount.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The annual rates used are:

Freehold land	- nil
Freehold buildings	- 4%
Plant and machinery	- 10%
Laboratory equipment	- 20%
Motor vehicles	- 25%
Computer equipment	- 33%

Leases
Rentals under operating leases are charged to the Statment of Profit or Loss on a straight line basis over the lease's term. There were no lease arrangements classified as finance leases as of 31 December 2016 (2015 - none).

continued...

1. ACCOUNTING POLICIES - continued

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, investments in subsidiaries and associates and trade and other payables.

Trade and other receivables
Trade and other receivables are recorded at the invoiced amount. The Group provides an allowance for impairment for known and estimated potential losses arising from sales to customers based on a periodic review of these financial statements. When the Group is satisfied that no recovery of the amount is possible then the amount is written off against the trade receivable.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of 90 days or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trade and other payables
Deferred income as well as trade and other payables are accounted for at cost.

Financial instruments
The Group views derivative financial instruments as risk management tools and does not use them for trading or speculative purposes. The Group uses forward contracts to manage certain foreign currency and commodity price exposures. Such derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, all hedges are classified as cash flow hedges.

At the inception of a cash flow hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for the purpose of the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedge effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement.

Investments
Investments held as non-current assets are stated at cost unless there is a permanent diminution in value in which case they are stated at the net realisable value.

continued...

1. **ACCOUNTING POLICIES - continued**

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material and labour costs together with the relevant overheads on the basis of normal activity levels. Allowance is made for obsolete, slow-moving or defective items where appropriate.

Inventories held under consignment arrangements are reviewed regularly in order to assess whether the substance of the arrangements is such that those inventories constitute assets which should be reflected in the Statement of Financial Position.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position dates and any adjustment to tax payable in respect of previous periods.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and
- Differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

continued...

1. **ACCOUNTING POLICIES - continued**

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Profit or Loss when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Other development expenditure is recognised in the Statement of Profit or Loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Foreign currencies
These financial statements are presented in US Dollars, which is the Group's functional and presentation currency and all amounts are rounded to the nearest thousand dollars ($'000) except where otherwise indicated. The determination of functional currency is based on appropriate economic and management indicators.

Transactions denominated in foreign currencies are initially translated to dollars at the rates ruling at the dates of the transactions. Profits and losses on settlements during the year are recognised in the Statement of Profit or Loss.

At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated to dollars at the rate of exchange ruling at the statement of financial position date and the resultant exchange differences are recognised in the Statment of Profit or Loss. The exchange rate as of 31 December 2016 was USD $1 = £0.813.

For consolidation purposes the assets and liabilities of subsidiary undertakings and joint ventures are translated at the rate of exchange ruling at the statement of financial position date. Statements of Profit or Loss of such undertakings are translated at the average rate of exchange during the year. Exchange differences arising on the re-translation of opening net assets are taken directly to reserves. All other translation differences are taken to the Statment of Profit or Loss.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

More information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 31: Accounting estimates and judgements.

continued...

1. **ACCOUNTING POLICIES - continued**

Employee benefit costs

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plan

The Company and its subsidiary, AMG Alpoco UK Limited, participate in the AMG UK Group 2006 Pension Plan ('2006 Pension Plan') which includes a defined benefit arrangement. The defined benefit arrangement closed on 31 May 2006 to all members.

The Group's obligation in respect of defined pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service to the date of the scheme closure. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted to arrive at the net pension obligation or asset. The discount rate used is the yield at the statement of financial position date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The net obligation or asset recognised in the statement of financial position is the present value of the defined benefit obligation less the fair value of the plan assets.

The charge to the Statement of Profit or Loss is allocated between an operating charge and net finance expense or income. The operating charge reflects the service cost which is spread systematically over the working lives of the employees. The net finance charge reflects the unwinding of the discount applied to the liabilities of the plan, offset by the expected return on the assets of the plan, based on conditions prevailing at the start of the year.

Actuarial valuations are carried out by an independent actuary as determined by the Trustees at intervals of not more than three years, to determine the rates of contribution payable. The pension cost is determined on the advice of the Group's actuary, having regard to the results of these Trustee valuations. In any intervening years, the actuaries review the continuing appropriateness of the contributions rates.

Government grants

Government grants are only recognised when there is reasonable assurance that the Group will comply with the conditions for their receipt and that the grant will be received. Capital based grant income is initially deferred and released to the income statement over the remaining useful economic life of the related asset. Revenue based grants are recognised in the Statement of Profit or Loss in the same period in which the relevant expenditure is incurred.

Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it is earned, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the Statement of Profit or Loss in the year in which they are incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Such costs are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

continued...

1. **ACCOUNTING POLICIES - continued**

Share based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by a valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the ultimate parent company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Statement of Profit or Loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of profit or loss.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each statement of financial position date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the statement of financial position date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the statement of financial position date. Changes in the carrying amount for the liability are recognised in the income statement for the period.

Provisions

A provision is recognised in the statement of financial position when:

- the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured; and
- it is probable that an outflow of economic benefits will be required to settle the obligation.

continued...

1. **ACCOUNTING POLICIES - continued**

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group retains the right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds it recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

continued...

2. REVENUE

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker ("CODM"). The Company's CODM is deemed to be the Chief Executive Officer, who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM assesses profit performance using profit before taxation measured on a basis consistent with the disclosure in the Group accounts.

The Group reports on one reportable segment:
The manufacture and merchanting of metallurgical products.

All Group revenues are received for the provision of goods; no revenues are received in relation to the provision of services.

Geographical segments
The following table sets out revenues by destination, regardless of where the goods were produced:

	Continuing operations	
	2016	**2015**
	$'000	**$'000**
United Kingdom	24,149	27,009
Rest of Europe	31,294	39,664
America	44,151	40,671
Africa	2,293	3,093
Asia	19,024	18,912
Australasia	3,302	2,989
	124,213	132,338

3. EMPLOYEES AND DIRECTORS

Group

	2016	**2015**
	$'000	**$'000**
Wages and salaries	11,748	11,501
Social security costs	1,116	1,147
Other pension costs	1,853	3,085
	14,717	15,733

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

	2016	**2015**
Production	180	173
Sales and adminstration	38	33
	218	206

continued...

3. EMPLOYEES AND DIRECTORS - continued

	2016 $'000	2015 $'000
Aggregate emoluments	711	987
Company contributions paid to defined contribution scheme	50	74
Compensation to director for loss of office	-	225

There are 2 directors accruing benefits under a defined contribution scheme (2015 - 3). K Lawson and Mrs L M Scaife are all considered to have performed qualifying services and their remuneration is disclosed above as total remuneration for services to the AMG Advanced Metallurgical Group N.V. group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the holding and fellow subsidiary companies. E E Jackson, Ms A Ard, J M Dunckel and D R Shea are not considered to have performed qualifying services for the Group.

The amounts paid in respect of the highest paid director were as follows:

	2016 $'000	2015 $'000
Aggregate emoluments	508	471
Company contributions paid to defined contribution scheme	34	34

Company

	2016 $'000	2015 $'000
Wages and salaries	9,211	8,774
Social security costs	872	889
Other pension costs	1,608	2,833
	11,691	12,496

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

	2016	2015
Production	128	121
Sales and adminstration	35	30
	163	151

continued...

4. EXCEPTIONAL ADMINISTRATIVE EXPENSES

	2016 $'000	2015 $'000
Restructuring	-	200
HSE Fine Provision	(674)	1,036
	(674)	1,236

In 2014, there was a works accident in which an employee suffered a life changing injury. An investigation was undertaken by the Health & Safety Executive (HSE) and resulted in the HSE seeking a prosecution. The Company pleaded guilty and on 19th December 2016 the Company was sentenced to a fine of £240k and the HSE were awarded their legal costs. In 2015, the Company made a provision of $1,036k for the potential fine and legal fees. The remaining $674k of the provision is no longer required and has been released to the profit and loss account in 2016. The original provision was made prior to the new sentencing guidelines coming into force and estimating the potential fine was very difficult to determine.

During the year ended 31 December 2015, a restructuring charge of $200k was recognised following a decision by management to reduce production. The costs represented severance costs for 17 people who left the Group.

5. NET FINANCE COSTS

Recognised in the statement of profit or loss:

	2016 $'000	2015 $'000
Finance income:		
Deposit account interest	-	9
Interest on loan to parent company	-	978
Interest on group cash pooling arrangement	1,230	324
Interest on income on pension scheme assets	78	44
	1,308	1,355
Finance costs:		
Bank interest	81	6
Interest on pension scheme liabilities	161	300
Group interest	88	16
	330	322
Net finance income	(978)	(1,033)

continued...

6. PROFIT/ (LOSS) BEFORE TAX

	2016 $'000	2015 $'000
Cost of inventories recognised as expense	74,684	83,435
Depreciation - owned assets	1,638	1,536
Amortisation charges	26	29
Disposal of fixed assets	4	2
Auditor's remuneration - Fees payable to the company's auditors and their associates for the audit of the company's financial statements	177	140

7. INCOME TAX

Analysis of tax expense

	2016 $'000	2015 $'000
Current tax:		
Current period	1,368	602
Adjustment for prior periods	33	(19)
Total current tax	1,401	583
Deferred tax:		
Current period	119	268
Adjustment for prior periods	(159)	(224)
Total deferred tax	(40)	44
Total tax income in statement of profit or loss	1,361	627
Statement of comprehensive income:		
Actuarial loss/ (gain) on defined benefit plans	812	(1,378)
Loss/ (gain) on cash flow hedges	81	(230)
Corporation tax charge to other comprehensive income	893	(1,608)

continued...

7. INCOME TAX - continued

Factors affecting the tax expense
The tax assessed for the year is lower (2015 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 $'000	2015 $'000
Profit on ordinary activities before income tax	8,113	3,441
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20.00% (2015 - 20.25%)	1,623	697
Effects of:		
Non-taxable income	-	(7)
Expenses not deductible for tax purposes	(136)	213
Adjustment to current tax in respect of prior periods	33	(19)
Adjustment to deferred tax in respect of prior periods	(34)	(224)
Rate adjustment for deferred tax	(125)	(33)
Tax expense	1,361	627

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of profit or loss of the parent Company, AMG Superalloys UK Limited, is not presented as part of these financial statements. The parent Company's profit for the financial year was $4,608,000 before dividend income of $nil (2015 - profit $2,243,000 before dividend income of $nil).

9. DIVIDENDS

	2016 $'000	2015 $'000
Ordinary share of £1 each:		
Interim	-	-

continued...

10. GOODWILL

Group

	$'000
COST	
At 1 January 2016 and 31 December 2016	1,510
NET BOOK VALUE	
At 31 December 2016	1,510
At 31 December 2015	1,510

Company

	$'000
COST	
At 1 January 2016 and 31 December 2016	1,510
NET BOOK VALUE	
At 31 December 2016	1,510
At 31 December 2015	1,510

The goodwill is allocated at a company level as the benefit derived impacts the business as a whole and is tested for impairment annually. For the impairment test for AMG Superalloys UK's cash-generating units, the recoverable amounts are the value in use. The value in use was determined using the discounted cash flow method. In 2016 and 2015, the carrying amounts of the AMG Superalloys units were determined to be lower than their recoverable amounts and no impairment losses were recognised.

11. INTANGIBLE ASSETS

Group

	REACH costs $'000
COST	
At 1 January 2016	527
Additions	7
Disposal	(4)
At 31 December 2016	530
AMORTISATION	
At 1 January 2016	79
Charge for year	26
Disposal	(4)
At 31 December 2016	101
NET BOOK VALUE	
At 31 December 2016	429
At 31 December 2015	448

continued...

11. **INTANGIBLE ASSETS**

Capitalised REACH costs relate to the Registration, Evaluation, Authorisation & Restriction of Chemicals. The costs are being amortised over 20 years.

Company

	REACH costs S'000
COST	
At 1 January 2016	504
Additions	7
At 31 December 2016	511
AMORTISATION	
At 1 January 2016	75
Charge for the year	25
At 31 December 2016	100
NET BOOK VALUE	
At 31 December 2016	411
At 31 December 2015	429

Capitalised REACH costs relate to the Registration, Evaluation, Authorisation & Restriction of Chemicals. The costs are being amortised over 20 years.

12. **PROPERTY, PLANT AND EQUIPMENT**

Group

	Land and buildings $'000	Plant and machinery $'000	Total $'000
COST			
At 1 January 2016	18,407	53,016	71,423
Additions	133	899	1,032
Disposals	-	(1,015)	(1,015)
At 31 December 2016	18,540	52,900	71,440
DEPRECIATION			
At 1 January 2016	13,472	46,297	59,769
Charge for year	392	1,246	1,638
Disposals	-	(1,012)	(1,012)
At 31 December 2016	13,864	46,531	60,395
NET BOOK VALUE			
At 31 December 2016	4,676	6,369	11,045
At 31 December 2015	4,935	6,719	11,654

continued...

12. PROPERTY, PLANT AND EQUIPMENT - continued

The Group did not have any borrowing costs to capitalise during the year ended 31 December 2016 (2015 - $nil).

Company

	Land and buildings $'000	Plant and machinery $'000	Total $'000
COST			
At 1 January 2016	14,742	38,569	53,311
Additions	-	845	845
Disposals	-	(11)	(11)
At 31 December 2016	14,742	39,403	54,145
DEPRECIATION			
At 1 January 2016	10,803	33,754	44,557
Charge for year	341	920	1,261
Disposals	-	(11)	(11)
At 31 December 2016	11,144	34,663	45,807
NET BOOK VALUE			
At 31 December 2016	3,598	4,740	8,338
At 31 December 2015	3,939	4,815	8,754

The Company did not have any borrowing costs to capitalise during the year ended 31 December 2016 (2015 - $nil).

Securities
As at 31 December 2016, the Group's land and buildings and plant and machinery have been pledged against financing loans and a revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking. Please refer to note 26.

13. INVESTMENTS

Company

	Shares in group undertakings $'000
COST	
At 1 January 2016 and 31 December 2016	2,219
NET BOOK VALUE	
31 December 2016	2,219
31 December 2015	2,219

continued...

13. INVESTMENTS - continued

Company and Group

The Company and Group's investments at the Statement of Financial Position date include the following:

AMG Alpoco UK Limited
Country of incorporation: England and Wales
Registered address: c/o AMG Superalloys, Fullerton Road, Rotherham, S60 1DL
Nature of business: Manufacture of aluminium powder

Class of shares:	% holding
Ordinary shares	100

AMG UK Group Pension Trustee Limited
Country of incorporation: England and Wales
Registered address: c/o AMG Superalloys, Fullerton Road, Rotherham, S60 1DL
Nature of busienss: Pension trustee

Class of shares:	% holding
Ordinary shares	100

14. INVENTORIES

		Group		Company
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Raw materials	4,591	6,306	4,153	5,873
Finished goods	6,669	7,327	4,981	5,555
Merchanting inventory	256	809	256	809
	11,516	14,442	9,390	12,237

The Group write down of inventories to net realisable value amounted to $631,243 (2015: $447,849) and the provision charged for slow-moving inventories amounted to $1,362,994 (2015: $1,504,697).

The Company write down of inventories to net realisable value amounted to $370,590 (2015: $268,201) and the provision charged for slow-moving inventories amounted to $1,277,626 (2015: $1,249,829).

Securities

At 31 December 2016, the Group's inventories are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking. Please refer to note 26.

continued...

15. TRADE AND OTHER RECEIVABLES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current:				
Trade receivables	13,863	12,754	10,809	9,413
Amount receivable from affiliates in respect of cash pooling arrangement	59,529	43,854	56,585	38,035
Receivables from affiliates	15,526	12,181	16,582	12,816
Other receivables	1,524	647	1,423	460
Derivative financial instruments	386	319	386	319
	90,828	69,755	85,785	61,043

The carrying amount of trade receivables approximates their fair value. Trade receivables are non-interest bearing and are generally on 30 to 90 days terms.

All amounts within trade and other receivables are expected to be recovered within 12 months.

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Current - not yet due	10,708	-	9,731	-
0 - 30 days	3,018	-	2,837	-
31 - 60 days	120	-	76	-
More than 60 days due	221	13	216	106
	14,067	13	12,860	106

Company

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Current - not yet due	8,266	-	6,970	-
0 - 30 days	2,507	-	2,256	-
31 - 60 days	24	-	78	-
More than 60 days due	31	12	145	35
	10,828	12	9,449	35

continued...

15. TRADE AND OTHER RECEIVABLES - continued

The movements in the Company provision for impairment of receivables is as follows:

	2016	2015
	$'000	$'000
At 1 January	106	67
Charge for the year	13	135
Amounts recovered	(12)	(77)
Amounts written off	(94)	(19)
At 31 December	13	106

Securities
At 31 December 2016, the Group's receivables are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking. Please refer to note 26.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Bank accounts	1,221	3,879	755	3,234

At 31 December 2016, the Company did not have borrowing facilities (2015 - $nil).

At 31 December 2016, the Group and Company had undrawn borrowing facilities on bank overdraft totalling £0.1k (2015: £0.1k).

Securities
At 31 December 2016, the Group's cash and cash equivalents are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking. Please refer to note 26.

continued...

17. CALLED UP SHARE CAPITAL

Allotted and fully paid:

Number:	Class:	Nominal value:	2016	2015
			$'000	$'000
16,000,000	Ordinary	£1	30,698	30,698

The holders of the ordinary shares are entitled to one vote per share in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution.

18. RESERVES

Group

	Retained earnings	Capital redemption reserve
	$'000	$'000
At 1 January 2016	19,890	25,000
Profit for the year	6,752	-
At 31 December 2016	26,642	25,000

	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000
At 1 January 2016	3,158	(9,933)	38,115
Profit for the year	-	-	6,752
Share based payment expense during the year	255	-	255
Actuarial losses on defined benefit schemes	-	(5,464)	(5,464)
Tax effect of amounts in other comprehensive income	-	893	893
Fair value movements on derivative financial instruments	-	(643)	(643)
At 31 December 2016	3,413	(15,147)	39,908

	Retained earnings	Capital redemption reserve
	$'000	$'000
At 1 January 2015	17,076	25,000
Profit for the year	2,814	-
At 31 December 2015	19,890	25,000

continued...

18. RESERVES - continued

	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000
At 1 January 2015	3,082	(14,940)	30,218
Profit for the year	-	-	2,814
Share based payment expense during the year	76	-	76
Actuarial gains on defined benefit schemes	-	5,506	5,506
Tax effect of amounts in other comprehensive income	-	(1,608)	(1,608)
Fair value movements on derivative financial instruments	-	1,109	1,109
At 31 December 2015	3,158	(9,933)	38,115

Company

	Retained earnings	Capital redemption reserve	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	18,265	25,000	3,158	(9,828)	36,595
Profit for the year	4,608	-	-	-	4,608
Share based payment expense during the year	-	-	255	-	255
Actuarial losses on defined benefit schemes	-	-	-	(5,265)	(5,265)
Tax effect of amounts in other comprehensive income	-	-	-	860	860
Fair value movements on derivative financial instruments	-	-	-	(643)	(643)
At 31 December 2016	22,873	25,000	3,413	(14,876)	36,410

continued...

18. **RESERVES - continued**

	Retained earnings	Capital redemption reserve	Share based payment reserve	Accumulated other comprehensive income	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2015	16,022	25,000	3,082	(14,566)	29,538
Profit for the year	2,243	-	-	-	2,243
Share based payment expense during the year	-	-	76	-	76
Share based payment expense during the year	-	-	76	-	76
Actuarial gains on defined benefit schemes	-	-	-	5,230	5,230
Tax effect of amounts in other comprehensive income	-	-	-	(1,601)	(1,601)
Fair value movements on derivative financial instruments	-	-	-	1,109	1,109
At 31 December 2015	18,265	25,000	3,158	(9,828)	36,595

Capital redemption reserve
The capital reserve represents a capital contribution from the ultimate parent company which occurred as part of a group re-financing process. This reserve is non-distributable.

Share-based payment reserve
The share based payment reserve comprises amounts recognised in respect of employee services in relation to the AMG Option Plan, as disclosed in note 29.

Accumulated other comprehensive income reserve
The accumulated other comprehensive income reserve represents the effective portion of gains or losses on cash flow hedges that are yet to mature, net of deferred tax and costs relating to the defined benefit pension scheme.

continued...

19. TRADE AND OTHER PAYABLES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current:				
Trade payables	22,759	16,236	16,050	13,554
Trade payables subject to interest	9,435	-	9,435	-
Payables from affiliates	2,672	9,333	6,694	2,683
Social security and other taxes	332	367	332	367
Other creditors	2,365	3,470	1,534	2,632
Derivative financial instruments	1,277	711	1,277	711
Deferred government grants	32	32	-	-
	38,872	30,149	35,322	19,947
Non-current:				
Deferred government grants	112	144	-	-
Aggregate amounts	38,984	30,293	35,322	19,947

Trade payables are non-interest bearing and are normally settled on 30 to 95 day terms.

Trade payables subject to interest bear interest at 195 base points above the USD LIBOR rate to further extend terms by maximum of 93 days.

For related party transactions refer to note 28.

Government grants
In 2011 the Company's subsidiary received $133,000 from the Welsh Assembly Government in relation to a capital project. A final receipt of $126,000 was received during 2013 relating to the same project. The grant is being deferred over the expected remaining useful life of the asset at the time of receipt the grant of 9 years.

Amounts totalling $32,119 (2015: $32,119) were credited to the income statement during the year and included in cost of sales.

20. TAX

Group

The corporation tax balance recognised in the Statement of Financial Position is detailed below:

	2016 $'000	2015 $'000
Corporation tax receivable	-	143
Corporation tax payable	628	-

continued...

20. TAX - continued

Company

The corporation tax balance recognised in the Statement of Financial Position is detailed below:

	2016	2015
	$'000	$'000
Corporation tax receivable	-	295

21. LEASING AGREEMENTS

At 31 December 2016, the Group was committed to making payments totalling $6,000 (2015 - $45,000) during the next year in respect of operating leases of land and buildings which expire within one year.

22. FINANCIAL INSTRUMENTS

The Group and the Company enter into derivative financial instruments to manage the Group's currency and commodity price exposure. Other financial instruments including trade receivables and payables arise directly from the group's operations.

Trade and other receivables
The directors believe that the fair value of trade and other receivables approximates to their carrying value. The present value of future cash flows are not discounted as the effect is not material.

Trade and other payables
The directors believe that the fair value of trade and other payables approximates to their carrying value. The present value of future cash flows are not discounted as the effect is not material.

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated at its carrying value where the cash is repayable on demand.

Derivative financial instruments
Derivative currency and commodity contracts are based on observable forward exchange rates and commodity prices respectively.

continued...

22. **FINANCIAL INSTRUMENTS - continued**

Financial instruments by category

Set out below is an analysis by category of the carrying amounts and fair values of all of the Company and Group's financial instruments.

Group

	Carrying value 2016 $'000	Fair value 2016 $'000	Carrying Value 2015 $'000	Fair value 2015 $'000
Current financial assets				
Trade & other receivables	90,442	90,442	69,436	69,436
Cash & cash equivalents	1,221	1,221	3,879	3,879
Derivative financial instruments	386	386	319	319
Total financial assets	92,049	92,049	73,634	73,634
Current financial liabilities				
Trade & other payables	34,866	34,866	25,569	25,569
Derivative financial instruments	1,277	1,277	711	711
Total financial liabilities	36,143	36,143	26,280	26,280

Company

	Carrying value 2016 $'000	Fair value 2016 $'000	Carrying Value 2015 $'000	Fair value 2015 $'000
Current financial assets				
Trade & other receivables	85,400	85,400	60,724	60,724
Cash & cash equivalents	755	755	3,234	3,234
Derivative financial instruments	386	386	319	319
Total financial assets	86,541	86,541	64,277	64,277

continued...

22. FINANCIAL INSTRUMENTS - continued

Company

	Carrying value 2016 $'000	Fair value 2016 $'000	Carrying Value 2015 $'000	Fair value 2015 $'000
Current financial liabilities				
Trade & other payables	32,179	32,179	16,237	16,237
Derivative financial instruments	1,277	1,277	711	711
Total financial liabilities	33,456	33,456	16,948	16,948

Valuation of financial instruments - Fair value hierarchy

As at 31 December the Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation methodology.

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The analysis of the financial instruments into the fair value hierarchy is analysed as follows:

31 December 2016	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Forward contracts - hedged	386	-	386	-
Financial liabilities				
Forward contracts - hedged	1,277	-	1,277	-

31 December 2015	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets				
Forward contracts - hedged	319	-	319	-
Financial liabilities				
Forward contracts - hedged	711	-	711	-

During the year ended 31 December 2016, and 2015, there were no transfers between level 1, level 2 and level 3 fair value measurements

continued...

22. FINANCIAL INSTRUMENTS - continued

Commodity forward contracts

The Group is exposed to volatility in the prices of raw materials used in its products and uses commodity forward contracts to minimise these exposures. Such contracts generally mature within 12 months with any effect to the income statement recognised in this period. Commodity forward contracts have been designated as cash flow hedges.

The open commodity forward contracts as at 31 December 2016 are as follows:

	Metric tonnes	Average price per tonne	Fair value assets	Fair value liabilities
		$	$'000	$'000
US dollar denominated contracts to purchase commodities:				
Aluminium forwards	1,075	1,646	81	(8)

The open commodity forward contracts as at 31 December 2015 are as follows:

	Metric tonnes	Average price per tonne	Fair value assets	Fair value liabilities
		$	$'000	$'000
US dollar denominated contracts to purchase commodities:				
Aluminium forwards	3,375	1,575	5	(233)
Nickel forwards	6	14,635	-	(36)

The amount of commodity cash flow hedges included in other comprehensive loss for the Group and Company was as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Commodity cash flow hedges	295	1,147	295	1,147
Tax effect of commodity cash flow hedges	(88)	(234)	(88)	(234)
Other comprehensive charge	207	913	207	913

continued...

22. FINANCIAL INSTRUMENTS - continued

The charge to the income statement as cost of sales for the period relating to commodity cash flow hedges for the Group and Company was as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Commodity cash flow hedges	32	910	32	910

Foreign currency forward contracts
The Group uses foreign exchange forward contracts to hedge a significant portion of its estimated foreign currency exposure in respect of forecasted sales and purchases that will be received or paid in different foreign currencies. These contracts are negotiated to match the terms of the commitments and generally mature within 18 months with any effect to the income statement recognised in this period. Foreign exchange forward contracts have been designated as cash flow hedges.

The open foreign exchange forward sales contracts as at 31 December are as follows:

	Notional amount	Average contract rate	Fair value assets	Fair value liabilities
			$'000	$'000
Cash flow hedges:				
Euro (versus USD) 2016	€9.125 million	1.090	305	(33)
Euro (versus USD) 2015	€14.050 million	1.114	265	(52)

The open foreign exchange forward purchase contracts as at 31 December are as follows:

	Notional amount	Average contract rate	Fair value assets	Fair value liabilities
			$'000	$'000
Cash flow hedges:				
GBP (versus USD) 2016	$12.12 million	1.348	-	(1,236)
GBP (versus USD) 2015	£13.88 million	1.506	49	(390)

continued...

22. FINANCIAL INSTRUMENTS - continued

The amount of currency cash flow hedges included in other comprehensive income for the Group and Company was as follows:

	Group 2016	2015	Company 2016	2015
	$'000	$'000	$'000	$'000
Currency cash flow hedges	(938)	(38)	(938)	(38)
Tax effect of currency cash flow hedges	169	4	169	4
Other comprehensive income	(769)	(34)	(769)	(34)

The credit/ (charge) to the Statement of Profit or Loss as cost of sales for the period relating to currency cash flow hedges for the Group and Company was as follows:

	2016	Group 2015	2016	Group 2015
	$'000	$'000	$'000	$'000
Currency cash flow hedges	(900)	983	(900)	983

Hedging ineffectiveness
The Group hedges its own exposure and that of its subsidiary, AMG Alpoco UK Limited. There was no hedging ineffectiveness at the consolidated level during the years ended 31 December 2016 or 31 December 2015.

Hedging ineffectiveness at Group level
There was no ineffectiveness during the years ended 31 December 2016 or 31 December 2015

Total hedging activities
The total amount recognised as other comprehensive income in relation to cash flow hedges at the year end for the Group and Company is as follows:

	Group 2016	2015	Company 2016	2015
	$'000	$'000	$'000	$'000
Commodity cash flow hedges	207	913	207	913
Currency cash flow hedges	(769)	(34)	(769)	(34)
Other comprehensive gain/ (loss)	(562)	879	(562)	879

continued...

23. DEFERRED TAX

Group

	2016 $'000	2015 $'000
Balance at 1 January	(56)	1,614
Charge/ (credit) to income statement	40	(44)
Charge/ (credit) to other comprehensive income	929	(1,626)
Balance at 31 December	913	(56)

	Statement of Financial Position				Statement of Profit or Loss	
	Assets		Liabilities			
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Property, plant and machinery	-	-	562	667	(107)	12
Pension obligation	1,231	479	-	-	61	(186)
Other taxable temporary differences	-	-	-	-	(4)	18
Financial assets	191	73	-	-	-	-
Provisions	52	59	-	-	10	200
Net assets and liabilities	1,474	611	562	667		
Deferred tax provision/ (benefit)					(40)	44

Company

	Statement of Financial Position				Statement of Profit or Loss	
	Assets		Liabilities			
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Property, plant and machinery	-	-	420	508	(87)	27
Pension obligation	1,174	463	-	-	68	(219)
Financial assets	191	74	-	-	-	-
Provisions	52	61	-	-	10	200
Net assets and liabilities	1,417	598	420	508		
Deferred tax provision/ (benefit)					(9)	8

continued...

23. DEFERRED TAX - continued

Deferred tax on machinery and property relates to tax allowances in excess of depreciation.

Unrecognised deferred tax assets and liabilities
There are no unrecognised deferred tax assets and liabilities.

Effect of changes of tax rate
The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reserve based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly 17% has been applied when calculating deferred tax assets and liabilities as at 31 December 2016.

24. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefits plans
AMG Superalloys UK Limited sponsors two defined benefit schemes; the AMG UK Group 2006 Pension Plan ('2006 Pension Plan') and the AMG UK Group 2006 Additional Pension Plan ('Additional Pension Plan').

The balance recognised in the Consolidated Statement of Financial Position is detailed below:

	2016 $'000	2015 $'000
2006 Pension Plan	(9,230)	(4,620)
Additional Pension Plan	1,987	1,951
	(7,243)	(2,669)

The group offers retirement benefit plans to its employees. The defined benefit section of the 2006 Pension Plan was closed to new employees and to further service for current employees during 2006. As the remaining service for active members is zero, scheme assets are measured at the bid market value at the statement of financial position date. The liabilities of the pension plan are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. Estimated future cash flows were discounted at the current rate of return on high quality corporate bonds of an equivalent term of the liability. Actuarial gains and losses were recognised in full in the year in which they occur in the statement of comprehensive income.

The scheme assets and liabilities of the 2006 Pension Plan and Additional Pension Plan are initially valued in full in accordance with IAS19. The assets and liabilities are then split between AMG Superalloys UK Limited and AMG Alpoco UK Limited . The liability of each member, as calculated at the last full actuarial valuation, is used to calculate the overall proportion of each company's liability (member data taken at December 2015 was used to identify the employees of each company). The relevant percentage is applied to all items from the latest IAS19 calculations (excluding company contributions) and the appropriate assets, liabilities, income and expense are recognised in the relevant company.

The level of company contributions to be paid is set by the trustees and comapny at the time of each triennial valuation.

continued...

24. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

IAS 19 requires that the discount rate used be determined by reference to market yields at the reporting date on high quality corporate bonds. The currency and term of these should be consistent with the currency and estimated term of the pension obligations. The discount rate has been assessed by reference to the duration of the pension plan liabilities and by reference to the published iBoxx index of Sterling corporate bonds of duration greater than 15 years and investment grade AA and above. Allowance is made where the constituent bonds in the published index have been re-rated or new issues made. The rate of inflation influences the assumption for pension increase. This has been assessed by reference to yields on long-term fixed and index-linked Government bonds and has regard to Bank of England published inflationary expectations.

The last full actuarial valuation of the 2006 Pension Plan was carried out by a qualified independent actuary at 31 December 2015 and updated on an approximate basis to 31 December 2016.

The expected return on bonds is determined by reference to UK long-dated gilt and bond yields at the reporting date. The expected rate of return on equities have been determined by setting an appropriate risk premium above Government bond yields, having regard to market conditions at the reporting date. The expected long-term return on cash is equal to bank base rates at the reporting date.

The amounts recognised in the Consolidated Statement of Financial Position are as follows:

	Defined benefit pension plans	
	2016	**2015**
	$'000	**$'000**
Present value of funded obligations	(100,818)	(103,592)
Fair value of plan assets	93,575	100,923
	(7,243)	(2,669)
Deficit	(7,243)	(2,669)
Net liability	(7,243)	(2,669)

The amounts recognised in Statement of Profit or Loss are as follows:

	Defined benefit pension plan	
	2016	**2015**
	$'000	**$'000**
Service costs	187	183
Past service costs	-	1,396
Net interest from net defined benefit liability	83	256
Expenses	619	477
	889	2,312
Actual return on plan assets	14,352	764

continued...

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plan	
	2016	2015
	$'000	$'000
Opening defined benefit obligation	103,592	118,163
Service cost	187	183
Past service cost	-	1,396
Net interest	3,830	3,913
Expenses	619	477
Benefits paid, death in service insurance premiums and expenses	(6,432)	(6,837)
Exchange rate movements	(17,497)	(6,051)
Remeasurement:		
Actuarial losses/ (gains) from changes in demographic assumptions	-	(1,975)
Actuarial losses/ (gains) from changes in financial assumptions	15,885	(5,306)
Actuarial losses/ (gains) due to scheme experience	634	(371)
	100,818	103,592

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plan	
	2016	2015
	$'000	$'000
Opening fair value of scheme assets	100,923	109,791
Contributions by scheme participants	1,778	2,347
Interest income	3,747	3,657
Benefits paid, death in service insurance premiums and expenses	(6,432)	(6,837)
Exchange rate movements	(17,046)	(5,142)
Remeasurements:		
Return on plan assets (excluding interest income)	10,605	(2,893)
	93,575	100,923

continued...

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plan	
	2016	**2015**
	$'000	**$'000**
Actuarial gains from changes in demographic assumptions	-	1,975
Actuarial losses/ (gains) from changes in financial assumptions	(15,885)	5,306
Actuarial losses/ (gains) due to scheme experience	(634)	371
Return on plan assets (excluding interest income)	10,605	(2,893)
Exchange rates	450	909
Adjustment in respects of prior periods	-	(162)
	(5,464)	5,506

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plan	
	2016	**2015**
	$'000	**$'000**
Diversified corporate growth	60,325	27,337
Bonds	-	54,011
Government bonds	4,927	16,556
Cash	(104)	269
Other	28,427	2,750
	93,575	100,923

The underlying assets and liabilities are denominated in Sterling; as the functional currency is US Dollars, these are translated at the closing exchange rate. The exchange gains or losses are included with the fair value of the plan assets at the end of the reporting period.

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2016	**2015**
Rate used to discount liabilities	2.6%	3.8%
Inflation (RPI)	3.5%	3.2%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.5%	3.2%
Allowance for pension in payment increases of 5% p.a. if less	3.3%	3.1%
Allowance for commutation of pension for cash at retirement (2006 Pension Plan)	50.0%	50.0%

continued...

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Assumptions regarding future mortality are based on published statistics and mortality tables, but also take into account the actual membership experience and specific demographics of the workforce.

The average life expectancy assumptions, after retirement at 60 years age, are as follows:

Male retiring in 2016	24.7
Female retiring in 2016	26.8
Male retiring in 2036	26.9
Female retiring in 2036	29.3

Analysis of the sensitivity to the principal assumption of the present value of the defined benefit obligation.

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 1% p.a.	Increase by 15.8%
Rate of inflation	Increase 0.25% p.a.	Increase by 0.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.9%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.4%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ending 31 December 2016 is 15 years.

Contributions of $1,778,000 have been made by the employer over the period for the pension plans (2015 - $2,347,000). The best estimate of contributions to be paid to the plan for the year ended 31 December 2016 is $1,451,600.

Defined contribution scheme

The total expense as of 31 December 2016, recognised in the income statement of $1,047,266 (2015 - $1,029,454) represents contributions paid and payable to these plans.

25. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Metallurg Europe Limited, a Group registered in England and Wales.

The largest group in which the results of the Company are consolidated, and the controlling party, is AMG Advanced Metallurgical Group N.V., a Group incorporated in the Netherlands, whose principal address is WTC Amsterdam, Toren C, 13th Floor, Strawinskylaan 1343, 1077 XX Amsterdam. Copies of the financial statements of AMG Advanced Metallurgical Group N.V. can be obtained from the principal address.

continued...

26. CONTINGENT LIABILITIES

The Group has given guarantees to HM Revenue and Customs in respect of deferred duty. At 31 December 2016, the guarantee amounted to $162,600 (2015 - $148,368). Also at the 31 December 2016, the Group has given documentary letters of credit totalling $76,000 (2015 - $95,000) in respect of raw materials.

The Group is party to AMG Advanced Metallurgical Group N.V.'s term and revolving credit facilities and has given fixed and floating charges over all its assets to participate in those group banking facilities.

The Group's assets are secured against the ultimate parent Group's banking facilities totalling up to $396m in term loans and revolving credit facilities. At 31 December 2016, there was $151m outstanding in term loans and revolving credit facility (2015 - $114m).

Full details of the terms relating to the facility can be found in the group financial statements of AMG Advanced Metallurgical Group N.V., copies of which are available from the address listed in note 25.

In the opinion of the directors no loss is expected to arise as a result of these matters.

27. CAPITAL COMMITMENTS

	2016 $'000	2015 $'000
Contracted but not provided for in the financial statements	-	-

28. RELATED PARTIES

Transactions with key management personnel
The directors are considered to be the only key management personnel. The remuneration of the directors is disclosed in note 3.

Transactions with entities within a group
According to IAS 24 all subsidiaries and associates within the AMG Advanced Metallurgical Group N.V. are related parties to the Company and transactions with those companies have to be disclosed in the Company's separate financial statements. The related party transactions concerning sales and purchases of goods, recharges for accounting, IT and purchasing services for the year and the balances outstanding at 31 December are summarised below:

	Sale of goods 2016 $'000	Recharge income 2016 $'000	Debtors 2016 $'000	Sale of goods 2015 $'000	Recharge income 2015 $'000	Debtors 2015 $'000
Ultimate parent company	-	-	-	-	-	49
Immediate parent company	-	-	312	-	24	796
Fellow subsidiaries of the larger group	33,042	3,895	15,214	30,514	24	11,336

continued...

28. RELATED PARTIES - continued

	Purchases 2016 $'000	Recharged expenses 2016 $'000	Creditors 2016 $'000	Purchases 2015 $'000	Recharged expenses 2015 $'000	Creditors 2015 $'000
Ultimate parent company	-	1,554	279	-	610	226
Immediate parent company	-	-	-	-	-	461
Fellow subsidiaries of the larger group	8,844	17	2,393	26,555	150	8,646

The $1,554,084 (2015 - $609,781) charge from the ultimate parent company represented a management service fee.

In addition to the above transactions, the Company had the following transactions with other group members that were eliminated on consolidation in the group financial statements:

	Sale of goods 2016 $'000	Recharge income 2016 $'000	Debtors 2016 $'000	Sale of goods 2015 $'000	Recharge income 2015 $'000	Debtors 2015 $'000
Subsidiaries	9,810	584	1,066	9	2,913	254

	Purchases 2016 $'000	Recharged expenses 2016 $'000	Creditors 2016 $'000	Purchases 2015 $'000	Recharged expenses 2015 $'000	Creditors 2015 $'000
Subsidiaries	-	12,595	5,921	4,983	10,187	903

Included in recharge income above is $4,676,176 (2015 - $2,253,226) relating to raw materials purchased by the Group on behalf of one of its subsidiaries.

The parent company, AMG Superalloys UK Limited, purchases raw materials on behalf of its subsidiary. Accounting, information technology and purchasing services are recharged to its subsidiary. The payroll is also operated by AMG Superalloys UK Limited and the relevant salary costs are recharged through to its subsidiary.

Loans to related parties

	Interest receivable 2016 $'000	Debtors 2016 $'000	Interest receivable 2015 $'000	Debtors 2015 $'000
Ultimate parent company	-	-	262	-

continued...

28. RELATED PARTIES - continued

The Company entered into a loan with AMG Advanced Metallurgical Group N.V., the Group's ultimate parent entity during 2014. The loan was has been repaid in full in during the year ended 31 December 2015. Interest was accruing annually at a rate of 6.35%, which was receivable annually. At the 31 December 2016, interest of $nil (2015 - nil) is included in the trade and other receivables due from the ultimate parent entity.

Group cash pooling arrangement

	Interest receivable 2016 $'000	Debtors 2016 $'000	Interest receivable 2015 $'000	Debtors 2015 $'000
Ultimate parent company	1,230	59,529	324	43,854

During the year ended 31 December 2015, the Group entered into a centralised cash management arrangement with AMG Invest GmbH. It bears interest at EURIBOR monthly average plus 2.875% and interest is receivable monthly in arrears.

29. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments

On June 26, 2007, the Management Board of AMG Advanced Metallurgical Group N.V., the parent company of AMG Superalloys UK Limited, established the AMG Option Plan (the '2007 Plan'). The 2007 Plan is eligible to senior management of the Company.

Each option issued under the 2007 Plan entitles the holder to acquire shares at a future date at a price equal to the fair market value of the share at the date on which the option was granted. All outstanding options granted under this plan are fully vested. This vesting is not subject to any performance conditions. The options expire on the tenth anniversary of their grant date.

All options under the 2007 Plan are equity settled, in accordance with IFRS 2, by award of options to acquire ordinary shares or award of ordinary shares. The expense recognised for share-based payments in respect of employee services during the year to 31 December 2016 is $nil (2015 - $nil).

The following table illustrates the number and weighted average exercise prices (WAEP) of movements in share options during the year:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at 1 January	25,000	EUR40.50	25,000	EUR40.50
Outstanding at 31 December	25,000	EUR40.50	25,000	EUR40.50
Exercisable at 31 December	25,000	EUR40.50	25,000	EUR40.50

continued...

29. SHARE-BASED PAYMENT TRANSACTIONS - continued

The following table lists the inputs into the binomial model used to calculate the fair value of the share-based payment options:

	2016	2015
Exercise price	EUR40.50	EUR40.50
Share price at grant	EUR40.50	EUR40.50
Contractual life (years)	10	10
Weighted average remaining contractual life (years)	1.2	2.2

The options vest in four equal tranches on the first, second, third and fourth anniversaries of the grant date. Therefore continued employment is a non-market condition for options to vest.

Performance share units
In May 2009, the Annual General Meeting of shareholders' of AMG Advanced Metallurgical Group N.V., the ultimate parent company of AMG Superalloys UK Limited, approved a remuneration policy that utilises cash-settled share based payments as a part of compensation. In the year ended 31 December 2016, 11,453 (2015: 12,159) performances share units ('PSUs') were issued to certain employees which are cash-settled. As of 3 November 2016, AMG Advanced Metallurgical Group N.V. elected to settle any future amounts paid for the 2015 and 2016 PSUs awards with AMG shares. The same election was made as of 1 April 2015 for the 2013 and 2014 awards. As these awards will be equity-settled, the balance is recorded in equity rather than as a liability as previously recorded when there was a cash settlement option in accordance with IFRS 2.

AMG Advanced Metallurgical Group N.V. utilised a Monte Carlo simulation to develop a valuation of the PSU awards upon modification. This calculation was performed on the date of conversion from cash-settled to equity-settled. The following table lists the inputs into the model used to calculate the fair value of the equity-settled performance share units that were granted in 2014 through 2016:

	2016 Grant	2015 Grant	2014 Grant
Share price at date of grant	€8.95	€8.43	€7.09
Share price at date of conversion	€16.53	€16.53	€8.89
Contractual life at issuance (years)	3	3	3
Contractual life at conversion (years)	2.16	1.16	1.75
Dividend yield	1.2%	1.2%	1.2%
Expected volatility	34.9%	31.1%	11.2%
Risk-free interest rate	(0.15)%	(0.2)%	0.4%
Expected departures	16.0%	16.0%	10.1%

The expected volatility was calculated using the average share volatility of AMG Advanced Metallurgical Group N.V. (over a period equal to the expected term of the shares). The expected life is the time at which shares wil vest. The 2009 Plan options vest 50% each on the third and fourth anniversary of the grant date. For the risk free rate, AMG Advanced Metallurgical Group N.V. utilises the Euribor swap-rates.

The Company recorded expense of $56,070 related to these awards during the year. The expense related to equity settled awards is recorded in the share-based payment reserve (refer to note 18). The cumulative amount recorded in the share-based payment reserve in shareholders' equity related to these awards was $56,070 as of 31 December 2016. The total number of equity settled PSUs outstanding as of 31 December 2016 was 34,361.

During the year ended 31 December 2016, $55,120 (2015: $nil) was paid out with respect to the vesting of these grants.

continued...

29. **SHARE-BASED PAYMENT TRANSACTIONS - continued**

The issue price of each PSU is equal to the weighted average share price at which common shares of the parent company trade on the Euronext Amsterdam Stock Exchange during the 10 day period subsequent to the annual earnings release. The PSUs vest after three years, except in the first two years where transitional vesting provisions are in place. The vesting is subject to certain return on capital employed ('ROCE') performance requirements. The value of the PSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place.

30. **CAPITAL MANAGEMENT, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Capital Management
The primary objective of the Group is to maintain strong capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of economic conditions. Its policy is to ensure that the debt levels are manageable to the Group and that they are not increasing at a level that is in excess of the increases that occur within equity.

The Group's principal financial liabilities are comprised of payables to affiliates and trade payables. The Group has various financial assets such as trade and other receivables, receivables from affiliates and cash, which arise directly from its operations.

The Group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The main risks arising from the Group's financial instruments are: credit, liquidity, foreign currency, and commodity.

Credit risk - customer risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The amounts presented on the statement of financial position are net of allowances for doubtful receivables estimated by the Group's management, based on prior experience and the current economic climate.

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which ensure their creditworthiness. In addition, receivable balances are monitored on an on-going basis to ensure that the Group's exposure to impairment losses is not significant.

The Group's maximum exposure is the carrying amount as discussed in note 15 - $29,389,000. The Group closely monitors its due but unimpaired receivables as detailed in note 15.

The Group's Treasury function monitors the location of cash and cash equivalents and monitors the strength of those banks.

continued...

30. **CAPITAL MANAGEMENT, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Group's ultimate parent undertaking has banking facilities in place, in the event further cash flow is required.

It is Group policy to agree payment terms with its suppliers. Payment is made when it can be confirmed that the goods or services have been provided in accordance with the relevant contractual conditions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 based on contractual undiscounted payments:

	Carrying amount $'000	Contractual cash flows $'000	< 3 months $'000	3-12 months $'000	2017 $'000	2018 $'000	>2019 $'000
Pension plan obligation	-	9,231	308	923	1,565	1,230	5,205
Trade & other payables	34,865	34,865	34,865	-	-	-	-
Financial derivatives	1,277	1,277	456	821	-	-	-
Non-cancellable operating leases	-	16	4	12	-	-	-
Other	2,697	2,697	2,697	-	-	-	-
Total	38,839	48,086	38,330	1,756	1,565	1,230	5,205

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 based on contractual undiscounted payments:

	Carrying amount $'000	Contractual cash flows $'000	< 3 months $'000	3-12 months $'000	2016 $'000	2017 $'000	>2018 $'000
Pension plan obligations	-	5,338	851	2,553	1,934	-	-
Trade & other payables	54,230	54,230	54,230	-	-	-	-
Financial derivatives	1,422	1,422	343	1,079	-	-	-
Non-cancellable operating leases	-	80	40	40	-	-	-
Other	7,674	7,674	-	7,674	-	-	-
Total	63,326	68,744	55,464	11,346	1,934	-	-

It is not expected that the timing or amount of contractual commitments would differ significantly from the above table.

continued...

30. CAPITAL MANAGEMENT, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments.

Short term receivables and payables are not exposed to interest rate risk. The Group does not have other financial assets and liabilities that are exposed to interest rate risk.

Currency risk
Currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group's functional currency is US Dollars. A significant proportion of the group's purchases and sales are in US Dollars. However, the Group has exposures to purchases and sales made in Sterling and sales made in Euros.

The Group has developed policies to manage effectively the Group's currency exposures and minimise the risks of currency fluctuations on a group level and uses forward currency contracts.

The Group deems its primary currency exposures to be in sales (trade receivables) and purchases (trade payables) denominated in Euros and British Pound Sterling. The following tables demonstrate the sensitivity to a reasonable possible change in the functional currencies of the Group's exchange rates with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). Changes in sensitivity rates reflect various changes in the economy year-over-year.

31 December 2016	Changes in relation to functional currency $'000	Effect on profit before tax $'000
Euro	+5%	2
Euro	-5%	(2)
Sterling	+5%	(199)
Sterling	-5%	199

31 December 2015	Changes in relation to functional currency $'000	Effect on profit before tax $'000
Euro	+5%	(1)
Euro	-5%	1
Sterling	+5%	(51)
Sterling	-5%	51

continued...

30. **CAPITAL MANAGEMENT, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

Commodity risk
Commodity price risk is the risk that certain raw materials prices will increase and negatively impact the gross margins and operating results of the Group. The Group is exposed to volatility in the prices of aluminium publicly traded on the London Metal Exchange and uses forward contracts to manage these exposures.

The following table demonstrates the sensitivity to a reasonable possible change in the market price of these publicly traded commodities. Changes in sensitivity rates reflect various changes in the economy year over year.

31 December 2016	**Changes in relation to commodity prices $'000**	**Effect on profit before tax $'000**
Aluminium	+5%	41
Aluminium	-5%	(41)

31 December 2015	**Changes in relation to commodity prices $'000**	**Effect on profit before tax $'000**
Aluminium	+5%	72
Aluminium	-5%	(72)
Nickel	+5%	11
Nickel	-5%	(11)

31. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

Provision for bad debts
The Group has a policy of providing for trade receivables which are overdue by 60 days or more. It is management's judgement that where this is the case the whole debt relating to the customer is provided for even if not yet due, as the risk of default is considered high. The amount recorded as a provision for potential bad debts at 31 December 2016 was $13,031 (2015 - $106,218) for the Group and $12,031 (2015 - $35,106) for the Group.

Inventory provision
The Group has a policy of making a provision against slow moving inventories as follows:

0-1 years	- no provision
1-2 years	- 33% provision
2-3 years	- 66% provision
> 3 years	- 100% provision

Management consider this the best estimate to minimise the impact to the Group of slow moving stocks.

continued...

31. **ACCOUNTING ESTIMATES AND JUDGEMENTS - continued**

The Group has a policy of making provisions to value the inventory at the lower of cost and net realisable value. Where market conditions exist such that there is an indication products may require writing down to net realisable value, the products are reviewed on a product by product basis with the average inventory value and average net realisable value calculated and the relevant provision recorded.

The total inventory provision recorded at 31 December 2016 was $1,994,237 (2015 - $1,952,547) for the Group and $1,648,216 (2015 - $1,518,031) for the Company.

Impairment
The Group has a policy to review the carrying amounts of the Group's assets at each statement of financial position date. To determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Measurement of defined benefit obligations
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions are reviewed at each reporting date. Due to the long-term nature of these plans and the complexity of the valuations, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used are given in note 24.

Measurement of share-based payments
The Group measures the initial cost of cash-settled and equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs into the valuation model including the expected life of the option, volatility, and dividend yield and making assumptions about them. Equity-settled transactions maintain the same fair value throughout the life of the option, while the fair value of cash-settled transactions are remeasured at each reporting date. The assumptions and model used in determining the fair value of share-based payments are disclosed in note 29.

continued...

32. NEW AND AMENDED STANDARDS

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Annual Improvements 2012-2014 Cycle
The IASB issued the 2012-2014 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements cover the following standards and subjects.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits - Regional market issue
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

continued...

32. **NEW AND AMENDED STANDARDS - continued**

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

continued...

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

continued...

33. STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

(a) Classification and measurement
The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in other comprehensive income, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting
The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. These amendments are not expected to have any material impact on the Group's financial statements.

continued...

33. **STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued**

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Other Amendments
The following new or amended standards have also been considered:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sales or Contribution of Assets between an Investor and its Associate and Joint Venture (Amendments to IFRS 10 and IAS 28).

The Group has engaged in a full analysis of these standards across all segments and expects to have this completed in 2017. The Group plans to adopt the new standards on the required effective date. The Group will provide the update on the expect impact in 2017.