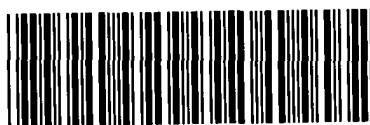


Registered Number: 00961050

**Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 December 2016
for
AMG Alpoco UK Limited**

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AMG Alpoco UK Limited

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AMG Alpoco UK Limited

Company Information for the Year Ended 31 December 2016

DIRECTORS:	K Lawson L M Scaife
SECRETARY:	T R C Palmer
REGISTERED OFFICE:	C/O AMG Superalloys UK Limited Fullerton Road Rotherham South Yorkshire S60 1DL
REGISTERED NUMBER:	00961050 (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 2 JX

AMG Alpoco UK Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

The Company Statement of Profit or Loss for the year is set out on page 8. Capital expenditure was \$188,000 (2015 - \$274,000).

The Company's key financial performance indicators for the year were as follows:

	2016 \$'000	2015 \$'000
Revenue	34,643	38,608
Profit before tax	2,673	748
Total equity	5,715	3,738
EBITDA	2,886	1,167
Return on capital employed	66.6%	28.3%

EBITDA is calculated in accordance with the ultimate parent company's guidelines on reporting actual performance. This is calculated as the gross margin adding 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. The key measures that are used by our shareholders are EBITDA and return on capital employed.

Overall 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.

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 the first half of 2017.

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.

AMG Alpoco UK Limited

Strategic Report - continued for the Year Ended 31 December 2016

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business is subject to a number of risks. The key business risks affecting the Company 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. New entrants may also increase competition in the powder industry, which could adversely affect the Company.

Currency exchange and metal price volatility

The Company's functional currency is US Dollars. A significant proportion of the Company's raw material purchases and sales are in US Dollars. However, the Company has exposures to purchases and sales made in Sterling and sales made in Euros. The Company has developed policies to manage effectively its currency exposures and minimise the risks of currency fluctuations. The Company has exposures to changes in the price of aluminium, which is publicly traded on the London Metal Exchange. The Company monitors and manages its exposures to aluminium price risk and has a hedging policy with the aim of minimising the risks of price fluctuations. The foreign currency and metal hedging process is performed by the Company's parent company, AMG Superalloys UK Limited.

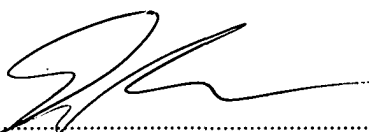
Customer risk

The Company is exposed to the risk of customers defaulting on trade debtors 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 Company 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 Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Company's ultimate parent company has banking facilities in place, in the event further cash flow is required.

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


.....

T R C Palmer - Secretary

Date: 12 July 2017

AMG Alpoco UK Limited

Directors' Report for the Year Ended 31 December 2016

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

PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture of aluminium powder and aluminium powder alloys.

DIVIDENDS

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2016 will be \$nil (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.

K Lawson
L M Scaife

REVIEW OF GOING CONCERN

The Company'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 Company, 2017 and 2018 forecasts and available cash liquidity. The Company's actual performance in 2016 was significantly above planned levels and those achieved in 2015. The directors have a reasonable expectation that the Company 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.

FUTURE DEVELOPMENTS

The Company continues to review a number of projects which the directors believe will lead to the development of new products which are forecasted to continue to improve the profitability of the Company.

AMG Alpoco UK Limited

Directors' Report - continued for the Year Ended 31 December 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Company'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 Company's auditor is aware 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 IS APPROVED BY AND SIGNED ON BEHALF OF THE BOARD BY:



.....
T R C Palmer - Secretary

Date: 12 July 2017

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

We have audited the financial statements of AMG Alpoco UK Limited for the year ended 31 December 2016 set out on pages 8 to 44. 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.

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 5, 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 statement:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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.

Report of the Independent Auditors to the Members of AMG Alpoco UK Limited - continued

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

Matthew Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Date: 13 July 2017

AMG Alpoco UK Limited

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

	Notes	2016 \$'000	2015 \$'000
CONTINUING OPERATIONS			
Revenue	2	34,643	38,608
Cost of sales		(31,175)	(36,708)
GROSS PROFIT		<u>3,468</u>	<u>1,900</u>
Other operating income	3	32	32
Administrative expenses		(990)	(1,132)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		<u>2,510</u>	<u>800</u>
Exceptional administrative expenses	8	-	(106)
OPERATING PROFIT		<u>2,510</u>	<u>694</u>
Net finance income/(costs)	7	163	54
PROFIT BEFORE INCOME TAX	5	<u>2,673</u>	<u>748</u>
Income tax	6	(529)	(177)
PROFIT FOR THE YEAR		<u><u>2,144</u></u>	<u><u>571</u></u>

The notes on page 13 to 44 form part of these financial statements

AMG Alpoco UK Limited

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016

	2016 \$'000	2015 \$'000
PROFIT FOR THE YEAR	2,144	571
OTHER COMPREHENSIVE (CHARGE)/INCOME		
Item that will not be reclassified to profit or loss:		
Actuarial (losses)/gains	(199)	276
Income tax relating to item of other comprehensive income	32	(7)
OTHER COMPREHENSIVE (CHARGE)/INCOME FOR THE YEAR, NET OF INCOME TAX	(167)	269
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,977</u>	<u>840</u>

The notes on page 13 to 44 form part of these financial statements

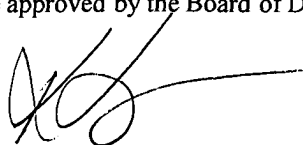
AMG Alpoco UK Limited - Registered Number 00961050

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

	Notes	2016 \$'000	2015 \$'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	18	19
Property, plant and equipment	10	2,706	2,900
Deferred tax	20	57	18
		<u>2,781</u>	<u>2,937</u>
CURRENT ASSETS			
Inventories	11	2,126	2,204
Trade and other receivables	12	12,028	9,845
Cash and cash equivalents	13	466	645
		<u>14,620</u>	<u>12,694</u>
TOTAL ASSETS		<u><u>17,401</u></u>	<u><u>15,631</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	837	837
Other reserves	15	(272)	(105)
Retained earnings	15	5,150	3,006
TOTAL EQUITY		<u>5,715</u>	<u>3,738</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	16	112	144
Pension liability	21	335	98
Deferred tax	20	141	161
		<u>588</u>	<u>403</u>
CURRENT LIABILITIES			
Trade and other payables	16	10,537	11,338
Tax payable	17	561	152
		<u>11,098</u>	<u>11,490</u>
TOTAL LIABILITIES		<u>11,686</u>	<u>11,893</u>
TOTAL EQUITY AND LIABILITIES		<u><u>17,401</u></u>	<u><u>15,631</u></u>

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 page 13 to 44 form part of these financial statements

AMG Alpoco UK Limited

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

	Called up share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 January 2015	837	2,435	(374)	2,898
Changes in equity				
Total comprehensive income/ (charge)	-	571	269	840
Balance at 31 December 2015	<u>837</u>	<u>3,006</u>	<u>(105)</u>	<u>3,738</u>
Changes in equity				
Total comprehensive income/ (charge)	-	2,144	(167)	1,977
Balance at 31 December 2016	<u>837</u>	<u>5,150</u>	<u>(272)</u>	<u>5,715</u>

The notes on page 13 to 44 form part of these financial statements

AMG Alpoco UK Limited

Statement of Cash Flows for the Year Ended 31 December 2016

		2016 \$'000	2015 \$'000
Cash flows (used in)/ from operating activities			
Cash generated (used in)/ from operations	1	(3,417)	5,311
Tax paid		379	(215)
Net cash (used in)/ from operating activities		(3,038)	5,096
Cash flows used in investing activities			
Purchase of tangible fixed assets		(188)	(274)
Net cash used in investing activities		(188)	(274)
Cash flows from/ (used in) financing activities			
Cash pooling arrangement		2,877	(5,819)
Interest received		170	65
Net cash from/ (used in) financing activities		3,047	(5,754)
(Decrease) in cash and cash equivalents		(179)	(932)
Cash and cash equivalents at beginning of year	2	645	1,577
Cash and cash equivalents at end of year	2	466	645

The notes on page 13 to 44 form part of these financial statements

AMG Alpoco UK Limited

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

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

	2016 \$'000	2015 \$'000
Profit before income tax	2,670	748
Depreciation charges	378	364
Amortisation charges	1	3
Profit/ (loss) on disposal	4	-
Government grants	(32)	(32)
Finance costs	(163)	(54)
	<u>2,858</u>	<u>1,029</u>
Decrease in inventories	78	448
(Increase)/ Decrease in trade and other receivables	(5,060)	7,417
Decrease in trade and other payables	(1,331)	(3,652)
Difference between pension charge and cash contributions	38	69
	<u>(3,417)</u>	<u>5,311</u>
Cash generated (used in)/ from operations	(3,417)	5,311

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:

Year ended 31 December 2016

	31.12.2016 \$'000	01.01.2016 \$'000
Cash and cash equivalents	<u>466</u>	<u>645</u>

Year ended 31 December 2015

	31.12.2015 \$'000	01.01.2015 \$'000
Cash and cash equivalents	<u>645</u>	<u>1,577</u>

AMG Alpoco UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company 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 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 Company. The directors have a reasonable expectation that the Company 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.

Preparation of consolidated financial statements

The financial statements contain information about AMG Alpoco UK Limited as an individual Company and do not contain consolidated financial information as the parent of a group.

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.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

1. ACCOUNTING POLICIES - continued

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 property	4% straight line
Plant, machinery and fittings	10% straight line
Motor vehicles	25% straight line
Laboratory equipment	20% straight line

Leases

Rentals under operating leases are charged to the income statement 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).

Financial Instruments

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 Company 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 Company 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 Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

1. ACCOUNTING POLICIES - continued

Financial instruments - continued

Trade and other payables

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

Derivative financial instruments

The Company does not have any derivative financial instruments as at 31 December 2016 (2015 - none).

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES - continued

Taxation - continued

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.

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 Company intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Company 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 Company'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 income statement.

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 income statement. The exchange rate as of 31 December 2016 was USD \$1 = £0.81.

Employee Benefit Costs

Defined contribution plan

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

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

1. ACCOUNTING POLICIES - continued

Employee Benefit Costs - continued

Defined benefit plan

The Company participates 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 Company'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 actuary reviews the continuing appropriateness of the contributions rates.

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 26: Accounting estimates and judgements.

Government Grants

Government grants are only recognised when there is reasonable assurance that the Company 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

1. ACCOUNTING POLICIES - continued

Finance Income and Expenses

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 income statement 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.

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company 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 income statement.

Provisions

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

- the Company 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.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

1. ACCOUNTING POLICIES - continued

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company'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 its 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.

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 Company accounts.

The Company reports on one reportable segment:
Aluminium - manufacture and supply of aluminium powder.

All Company 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:

	2016	2015
	\$'000	\$'000
United Kingdom	16,501	13,582
Rest of Europe	10,278	13,679
Rest of World	7,864	11,347
	<u>34,643</u>	<u>38,608</u>

The Company's non-current assets were all located within the UK for 2016 and 2015.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

3. OTHER OPERATING INCOME

	2016 \$'000	2015 \$'000
Government grants	32	32
	<u>32</u>	<u>32</u>

4. EMPLOYEES AND DIRECTORS

	2016 \$'000	2015 \$'000
Wages and salaries	2,537	2,727
Social security costs	244	257
Other pension costs	245	252
	<u>3,026</u>	<u>3,236</u>

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

	2016	2015
Production	52	52
Sales and administration	3	3
	<u>55</u>	<u>55</u>

	2016 \$'000	2015 \$'000
Directors' remuneration	711	987
Company contributions paid to defined contribution scheme	50	74
Compensation to director for loss of office	-	225
	<u>-</u>	<u>225</u>

There are two directors accruing benefits under a defined contributions scheme (2015 - three). All directors of the Company are considered to have performed qualifying services to the company 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.

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
	<u>542</u>	<u>505</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

5. PROFIT BEFORE TAX

	2016 \$'000	2015 \$'000
Cost of inventories recognised as expense	21,216	25,428
Depreciation - owned assets	378	364
Amortisation charges	1	3
Hire of plant and machinery	(2)	14
Auditors' remuneration - Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	26	25
	<u>26</u>	<u>25</u>

6. INCOME TAX

Analysis of tax expense

	2016 \$'000	2015 \$'000
Current tax:		
Current period	561	159
Adjustment for prior periods	(5)	(18)
Total current tax	<u>556</u>	<u>141</u>
Deferred tax:		
Current period	(20)	7
Rate adjustment for deferred tax	(10)	(17)
Adjustment for prior periods	3	46
Total deferred tax	<u>(27)</u>	<u>36</u>
Total tax expense in statement of profit or loss	<u>529</u>	<u>177</u>
Statement of comprehensive income:		
Actuarial losses / (gains) on defined benefit schemes	32	(7)
	<u>32</u>	<u>(7)</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

6. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is lower (2015 - higher) 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	2,673	748
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20% (2015 - 20.25%)	534	152
Effects of:		
Non-taxable income	-	(7)
Expenses not deductible for tax purposes	3	21
Adjustment to current tax in respect of prior periods	(5)	(18)
Adjustment to deferred tax in respect of prior periods	3	46
Rate adjustment for deferred tax	(6)	(17)
Total tax expense	529	177

Effect of changes of tax rate

The reduction in the main UK corporation tax rate from 18% to 17% from April 2020, announced in the Budget on 16 March 2016, was substantively enacted on 6 September 2016, the impact of these changes on the deferred tax balances of the Company is included in the tax charge.

7. NET FINANCE INCOME/(COSTS)

Recognised in the Statement of Profit or Loss:

	2016 \$'000	2015 \$'000
Finance expenses		
Net pension interest costs	(4)	(11)
Finance income		
Interest on group cash pooling arrangement	167	65
Net finance income/(costs)	163	54

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

8. EXCEPTIONAL ADMINISTRATIVE EXPENSES

	2016 \$'000	2015 \$'000
Restructuring	-	106
	<u>-</u>	<u>106</u>
	<u>-</u>	<u>106</u>

A restructuring charge of \$106k was recognised in 2015 following a decision by management to reduce production. The costs represented severance costs for 10 people who left the Company.

9. INTANGIBLE ASSETS

	Development costs \$'000
COST	
At 1 January 2016 and 31 December 2016	19
AMORTISATION	
Charge for year	1
At 31 December 2016	1
NET BOOK VALUE	
At 31 December 2016	18

	Development costs \$'000
COST	
At 1 January 2015 and 31 December 2015	22
AMORTISATION	
Charge for year	3
At 31 December 2015	3
NET BOOK VALUE	
At 31 December 2015	19

In 2013 the Company capitalised certain costs relating to the Registration, Evaluation, Authorisation & Restriction of Chemicals (REACH). These are amortised over 20 years.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold property \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Total \$'000
COST				
At 1 January 2016	3,684	14,715	378	18,777
Additions	-	188	-	188
Disposals	-	(933)	(72)	(1,005)
At 31 December 2016	3,684	13,970	306	17,960
DEPRECIATION				
At 1 January 2016	2,720	12,779	378	15,877
Charge for year	51	327	-	378
Disposals	-	(929)	(72)	(1,001)
Transfers	(32)	32	-	-
At 31 December 2016	2,739	12,209	306	15,254
NET BOOK VALUE				
At 31 December 2016	945	1,761	-	2,706
	Freehold property \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Total \$'000
COST				
At 1 January 2015	3,709	14,416	378	18,503
Additions	-	274	-	274
Transfers	(25)	25	-	-
At 31 December 2015	3,684	14,715	378	18,777
DEPRECIATION				
At 1 January 2015	2,660	12,475	378	15,513
Charge for year	60	304	-	364
At 31 December 2015	2,720	12,779	378	15,877
NET BOOK VALUE				
At 31 December 2015	964	1,936	-	2,900

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

Securities

At 31 December 2016, the Company's land and buildings and plant and machinery are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

11. INVENTORIES

	2016 \$'000	2015 \$'000
Raw materials	438	433
Finished goods	1,688	1,771
	<u>2,126</u>	<u>2,204</u>

The write down of inventories to net realisable value amounted to \$260,653 (2015: \$179,648) and the provision charged for slow-moving inventories amounted to \$85,368 (2015: \$254,868).

Securities

At 31 December 2016, the Company's inventories are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

12. TRADE AND OTHER RECEIVABLES

	2016 \$'000	2015 \$'000
Current:		
Trade receivables	3,054	3,340
Receivables from affiliates	925	521
Other receivables	5,059	141
Prepayments	48	24
Cash pooling	2,942	5,819
	<u>12,028</u>	<u>9,845</u>

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	2,442	-	2,761	-
0 - 30 days	511	-	581	-
More than 30 days due	286	1	68	106
	<u>3,239</u>	<u>1</u>	<u>3,410</u>	<u>106</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

12. TRADE AND OTHER RECEIVABLES - continued

Securities

At 31 December 2016, the Company's trade and other receivables are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

13. CASH AND CASH EQUIVALENTS

	2016	2015
	\$'000	\$'000
Bank accounts	466	645

At 31 December 2016, the Company did not have borrowing facilities (2015 - \$nil). Funding, if required, is provided by the Company's parent company, AMG Superalloys UK Limited.

14. CALLED UP SHARE CAPITAL

Allotted and fully paid:

Number:	Class:	Nominal value:	2016	2015
			\$'000	\$'000
436,037	Ordinary	£1	837	837

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.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

15. RESERVES

	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 January 2016	3,006	(105)	2,901
Profit for the year	2,144	-	2,144
Actuarial gains / (losses) on defined benefit schemes	-	(199)	(199)
Tax effect of amounts in other comprehensive income	-	32	32
	<u>5,150</u>	<u>(272)</u>	<u>4,878</u>
Balance at 31 December 2016			
	<u>5,150</u>	<u>(272)</u>	<u>4,878</u>
	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 January 2015	2,435	(374)	2,061
Profit for the year	571	-	571
Actuarial gains / (losses) on defined benefit schemes	-	276	276
Tax effect of amounts in other comprehensive income	-	(7)	(7)
	<u>3,006</u>	<u>(105)</u>	<u>2,901</u>
Balance at 31 December 2015			
	<u>3,006</u>	<u>(105)</u>	<u>2,901</u>

Other reserves

The other reserves represent the gains and losses recognised through other comprehensive income relating to the Company's defined benefit scheme as detailed in note 21.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

16. TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Current:		
Trade payables	6,660	2,639
Payables from affiliates	2,965	7,784
Other creditors	880	883
Deferred government grants	32	32
	<u>10,537</u>	<u>11,338</u>
Non-current:		
Deferred government grants	112	144
	<u>10,649</u>	<u>11,482</u>

The Company has exposure to payables denominated in currencies other than the functional currency. Where significant exposure exists, the Company's parent company enters into appropriate foreign exchange contracts on a group level. Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

For related party transactions refer to note 25.

Government grants

In 2011 the Company 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 \$32,000 (2015: \$32,000) were credited to the income statement during the year and included in cost of sales.

17. TAX

	2016 \$'000	2015 \$'000
Corporation tax payable	561	152
	<u>561</u>	<u>152</u>

18. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016 \$'000	2015 \$'000
Within one year	-	40

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

19. FINANCIAL INSTRUMENTS

Fair values

Trade and other receivables

The directors believe that the fair value of trade and other receivables approximate 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 approximate 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.

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial instruments that are presented in the financial statements:

	Carrying value 2016 \$'000	Fair value 2016 \$'000	Carrying value 2015 \$'000	Fair value 2015 \$'000
Current financial assets				
Trade and other receivables	12,028	12,028	9,845	9,845
Cash and cash equivalents	466	466	645	645
Total financial assets	<u>12,494</u>	<u>12,494</u>	<u>10,490</u>	<u>10,490</u>
Current financial liabilities				
Trade and other payables	<u>10,537</u>	<u>10,537</u>	<u>11,338</u>	<u>11,338</u>
Total financial liabilities	<u>10,537</u>	<u>10,537</u>	<u>11,338</u>	<u>11,338</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

20. DEFERRED TAX

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as tax loss and tax credit carry forwards. Deferred tax assets are recognised to the extent it is probable that the temporary differences, unused tax losses and unused tax credits will be realised. The realisation of deferred tax assets is reviewed each reporting period and includes the consideration of historical operating results, projected future taxable income exclusive of reversing temporary differences and carry-forwards, the scheduled reversal of deferred tax liabilities and potential tax planning strategies.

	2016 \$'000	2015 \$'000
Balance at 1 January	143	100
Charge/(credit) to income statement	(27)	36
Charge/(credit) to other comprehensive income	(32)	7
	<u>84</u>	<u>143</u>
Balance at 31 December		

	Statement of financial position				Income statement	
	Assets		Liabilities			
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property, plant and machinery	-	-	140	158	(19)	(15)
Pension asset	57	18	-	-	(7)	33
Other taxable temporary differences	-	-	1	3	(1)	18
	<u>57</u>	<u>18</u>	<u>141</u>	<u>161</u>		
Net assets and liabilities						
Deferred tax provision/(benefit)					(27)	36

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

Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 18 November 2015. This will reduce the Company's future current tax charge accordingly. The deferred tax balance at the 31 December 2016 has been calculated based on the rate of 17% substantively enacted at the statement of financial position date.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

21. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefits plan

The Company offers a retirement benefit plan to its employees through AMG UK Group 2006 Pension Plan.

The AMG UK Group 2006 Pension Plan defined benefit section ('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 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 are discounted at the current rate of return on high quality corporate bonds of an equivalent term to the liability. Actuarial gains and losses are 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 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 company at the time of each triennial valuation.

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 salary and 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.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plan	
	2016 \$'000	2015 \$'000
Present value of funded obligations	(3,969)	(3,980)
Fair value of plan assets	3,634	3,882
	<u>(335)</u>	<u>(98)</u>
Present value of unfunded obligations		
Deficit	<u>(335)</u>	<u>(98)</u>
Net asset/ (liability)	<u>(335)</u>	<u>(98)</u>

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

	Defined benefit pension plan	
	2016 \$'000	2015 \$'000
Service costs	9	9
Net interest from net defined benefit liability	4	11
Expenses	25	17
	<u>38</u>	<u>37</u>
Actual return on plan assets	<u>650</u>	<u>77</u>

All the costs were reflected in selling, general and administrative expenses in the Statement of Profit or Loss.

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

	Defined benefit pension plan	
	2016 \$'000	2015 \$'000
Opening defined benefit obligation	3,980	4,551
Service cost	9	9
Net interest	147	151
Expenses	25	17
Benefits paid, death in service insurance premiums and expenses	(242)	(243)
Exchange rate movements	(672)	(239)
Remeasurement:		
Actuarial gains from changes in demographic assumptions	-	(74)
Actuarial losses from changes in financial assumptions	565	(174)
Actuarial losses due to scheme experience	157	(18)
	<u>3,969</u>	<u>3,980</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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	3,882	4,246
Interest income	143	140
Benefits paid, death in service insurance premiums and expenses	(242)	(243)
Exchange rate movements	(656)	(198)
Remeasurements:		
Return on plan assets (excluding interest income)	507	(63)
	<u>3,634</u>	<u>3,882</u>

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	-	74
Actuarial losses from changes in financial assumptions	(565)	174
Actuarial losses due to scheme experience	(157)	18
Return on plan assets (excluding interest income)	507	(63)
Exchange rates	16	41
Adjustment in respects of prior periods	-	32
	<u>(199)</u>	<u>276</u>

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	2,537	1,143
Bonds	-	2,258
Government bonds	-	472
Cash	(7)	9
	<u>2,530</u>	<u>3,882</u>

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	2016	2015
Rate used to discount liabilities	2.55%	3.80%

Allowance for commutation of pension for cash at retirement - 50% of Post A Day

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 13.4%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.8%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 5.1%
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 period ending 31 December 2016 is 13 years.

Contributions of \$nil have been made by the employer over the period for the 2006 Pension Plan (2015 - \$nil). The best estimate of contributions to be paid to the plan for the year ended 31 December 2016 is \$nil.

Defined contribution scheme

The total expense as of 31 December 2016, recognised in the income statement of \$211,500 (2015 - \$225,993) represents contributions paid and payable to the plan.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

22. ULTIMATE PARENT COMPANY

The immediate parent undertaking is AMG Superalloys UK Limited, a company registered in England and Wales, and is the smallest group in which the results of the Company are consolidated. Copies of the immediate parent undertaking's group financial statements may be obtained from AMG Superalloys UK Limited, Fullerton Road, Rotherham, S60 1DL.

The largest group in which the results of the Company are consolidated, and the controlling party, is AMG Advanced Metallurgical Group N.V., a company 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.

23. CONTINGENT LIABILITIES

The Company 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 Company's assets are secured against the ultimate parent company'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 22.

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

24. CAPITAL COMMITMENTS

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

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

25. RELATED PARTIES

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:

	Sales		Debtors	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Immediate parent company	12,646	9,684	915	903
Fellow subsidiaries of the larger group	157	477	-	20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Purchases		Creditors	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Immediate parent company			1,066	254
- Purchases	35	170	-	-
- Recharge raw material purchases	4,676	2,669	-	-
- Recharged services	647	647	-	-
- Recharge salary costs	3,026	3,236	-	-
Fellow subsidiaries of the larger group	5,786	25,303	1,900	7,524
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

All the above transactions are undertaken on normal commercial terms.

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 4.

Group cash pooling arrangement

	Interest receivable	Debtors	Interest receivable	Debtors
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Ultimate parent company	167	2,942	65	5,819
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

Provision for bad debts

The Company has a policy of providing for debts 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 total bad debt provision recorded at 31 December 2016 was \$1,000 (2015: \$71,000).

Inventory provisions

The Company has a policy of making a provision against slow moving inventories. Any items over one year old are written down to the raw material cost of the product. Small development samples are written off in the year of production.

Management consider this the best estimate to minimise the impact to the Company of slow moving stocks. The Company has a policy of making provisions to value the inventory at the lower of cost and net realisable basis. 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 the net realisable value calculated from the lowest valued sales contracts and the relevant provision recorded. The total inventory provision recorded at 31 December 2016 was \$346,000 (2015: \$432,000).

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 21.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

27. CAPITAL MANAGEMENT, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital management

The primary objective of the Company is to maintain strong capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of economic conditions.

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The main risks arising from the Company's financial instruments are: credit, liquidity, foreign currency, and commodity.

Credit risk

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

The amounts presented on the Statement of Financial Position are net of allowances for doubtful receivables estimated by the Company's management, based on prior experience and the current economic climate.

The Company trades only with creditworthy third parties. It is the Company'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 ongoing basis to ensure that the Company's exposure to impairment losses is not significant. Approximately a third of the Company's revenue is sold to its immediate parent company AMG Superalloys UK Limited. There are no other customers which account for more than 10% of the Company's revenue.

The Company's maximum exposure is the carrying amount as discussed in note 12.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Company's ultimate parent company has banking facilities in place, in the event further cash flow is required.

It is Company 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.

AMG Alpoco UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

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

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

31 December 2016	Carrying amount \$'000	Contractual cash flows \$'000	< 3 months \$'000	3-12 months \$'000	2016 \$'000	2017 \$'000	> 2017 \$'000
Trade and other payables	10,537	10,537	10,537	-	-	-	-

31 December 2015	Carrying amount \$'000	Contractual cash flows \$'000	< 3 months \$'000	3-12 months \$'000	2015 \$'000	2016 \$'000	> 2016 \$'000
Trade and other payables	11,338	11,338	11,338	-	-	-	-

Interest rate risk

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

Short term receivables and payables are not exposed to interest rate risk. The Company 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 Company's income or the value of its holdings of financial instruments. The Company's functional currency is US Dollars. A significant proportion of the Company's purchases and sales are in US Dollars. However, the Company has exposure to purchases and sales made in Sterling and sales made in Euros.

The Company's parent company has developed policies to effectively manage this exposure and minimise the risks of currency fluctuations on a group level. The parent company uses forward currency contracts to achieve this. The Company itself does not use these financial instruments on a company only level and thus is not exposed to currency price risks through financial instruments. As such there would be no effect on profit before tax if there were a change in the exchange rates of the primary currencies the Company uses.

Commodity price 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 Company. The Company is exposed to volatility in the prices of aluminium, publicly traded on the London Metal Exchange.

The Company's parent company has developed policies to effectively manage the Company's commodity exposures and minimise the risks of commodity price fluctuations on a group level and uses forward contracts. The Company itself does not use these financial instruments on a company only level and thus is not exposed to commodity price risks through financial instruments. Commodity price risk is considered to be a usual business risk for the Company.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

28. NEW AND AMENDED STANDARDS

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company 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 Company. 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.

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 Company.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

29. 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 Company's financial statements are disclosed below. The Company 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 Company.

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 Company.

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 Company plans to adopt the new standard on the required effective date. During 2016, the Company 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 Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

29. STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

(a) Classification and measurement

The Company 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 Company 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 Company 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 Company 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 Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company 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 Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company 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 Company 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 Company does not expect a significant impact as a result of applying IFRS 9. The Company 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 Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company 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 Company's financial statements.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

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