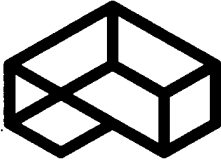


Registration number: 00158672

# Firth Rixson Forgings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017



**ARCONIC**

Innovation, engineered.



## **Firth Rixson Forgings Limited**

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## **Firth Rixson Forgings Limited**

### **Company Information**

<b>Directors</b>	L M Fargas Mas B McIvor M Stanway B Mueller D Adams
<b>Company secretary</b>	P Papinniemi-Ainger
<b>Registered office</b>	26a Atlas Way Sheffield S4 7QQ United Kingdom
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington St. Leeds LS1 4DL

## Firth Rixson Forgings Limited

### Strategic Report for the Year Ended 31 December 2017

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

#### Principal activities

The principal activity of Firth Rixson Forgings Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

#### Review of the business and future developments

The results of the Company for the year ended 31 December 2017 are shown in the profit and loss account on page and show a loss for the financial year of £(7,000) (2016: loss £36,323,000). The financial position of the Company as at 31 December 2017 is shown on the balance sheet on page 11.

The directors consider that the financial position of the Company as at 31 December 2017 was satisfactory and expect the Company to increase profitability in the foreseeable future.

The Company's key financial and other performance indicators during the year were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Operating profit/(loss) before exceptional items	<b>2,305</b>	(1,624)
EBITDA before exceptional items	<b>10,236</b>	8,571
Net current assets	<b>25,553</b>	22,882
	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Operating profit/(loss) before exceptional items/turnover	<b>2.2</b>	(1.6)
Net current assets/turnover	<b>24.4</b>	22.0
	<b>2017</b>	<b>2016</b>
Operating profit/(loss) before exceptional items/employee	<b>£5,000</b>	-£3,206

#### Principal risks and uncertainties

From the perspective of the Company the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Arconic Inc., which include those of the Company are discussed in the section entitled "Risk factors" in the Arconic Inc. Group's 2017 Annual report which does not form part of this report. Details of where the annual report can be found are shown in note 25 to the financial statements or on the Arconic Inc. website ([www.arconic.com](http://www.arconic.com)).

Approved by the Board on 24 July 2018 and signed on its behalf by:



L M Fargas Mas  
Director

## **Firth Rixson Forgings Limited**

### **Directors' Report for the Year Ended 31 December 2017**

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

#### **Directors of the company**

The directors who were in office during the year and up to the date of signing the financial statements were as follows:

L M Fargas Mas

B McIvor

M Stanway (appointed 17 July 2017)

C Stubbs (resigned 31 March 2017)

The following directors were appointed after the year end:

B Mueller (appointed 12 July 2018)

D Adams (appointed 12 July 2018)

#### **Future developments**

The future developments in the business are set out in the Strategic Report on page 2.

#### **Going concern**

The directors wish to draw attention to note 3.1 of these financial statements regarding the basis of accounting. The directors, after making enquiries, have an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

#### **Disclosure of indemnities**

The directors confirm under section 234 of the Companies Act 2006 that:

- at the time this directors' report is signed a qualifying third party indemnity provision (provided by the ultimate parent company, Arconic Inc.) was in force for the benefit of all the directors of the Company;
- for the financial year ending 31 December 2017 a qualifying third party indemnity provision (provided by the ultimate parent company, Arconic Inc.) was in force for the benefit of all the directors of the Company; and
- that there is no qualifying third party indemnity provision provided by the Company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and the promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the house newspaper and newsletters, briefing groups and the distribution of the annual report.

## **Firth Rixson Forgings Limited**

### **Directors' Report for the Year Ended 31 December 2017**

#### **Financial risk management**

##### **Objectives and policies**

The Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk, liquidity risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by its ultimate parent company Arconic Inc..

##### *Price risk*

Where deemed appropriate, the exposures to commodity price risk and exchange rate fluctuations are managed through the use of financial instruments such as forward exchange contracts, options and swaps. The Company's operations have no exposure to equity securities price risk as it holds no listed or equity investments.

##### *Credit risk*

Credit risk policies include appropriate credit checks on potential customers. Credit limits are defined within parameters set by Arconic Inc..

##### *Liquidity risk*

The Company maintains a mixture of long term and short term debt finance principally with the wider Arconic Inc. group. This is designed to ensure the Company has sufficient available funds for its operations.

##### *Interest rate cash flow risk*

The Company's operations have interest bearing assets and liabilities which are maintained on the basis of a mixture of fixed and floating rates. The interest rate levels are reviewed on a regular basis with Arconic Inc.

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors 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.

## **Firth Rixson Forgings Limited**

### **Directors' Report for the Year Ended 31 December 2017**

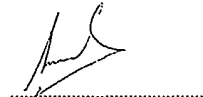
#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware:-

#### **Reappointment of auditors**

PricewaterhouseCoopers LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an AGM.

Approved by the Board on 24 July 2018 and signed on its behalf by:



.....  
L M Fargas Mas  
Director

## **Firth Rixson Forgings Limited**

# **Independent auditors' report to the members of Firth Rixson Forgings Limited**

## **Report on the audit of the financial statements**

### **Our opinion**

In our opinion, Firth Rixson Forgings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account and the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis of opinion**

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

### *Independence*

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

### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Reporting on other information**

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



## **Firth Rixson Forgings Limited**

# **Independent auditors' report to the members of Firth Rixson Forgings Limited**

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

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

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

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

## Firth Rixson Forgings Limited

# Independent auditors' report to the members of Firth Rixson Forgings Limited

### *Use of this report*

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


## Other required reporting

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



.....  
Kevin Strauther (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors  
Leeds

30 July 2018

## Firth Rixson Forgings Limited

### Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	5	104,598	103,898
Cost of sales		<b>(101,072)</b>	(99,530)
Gross profit		<u>3,526</u>	<u>4,368</u>
Distribution costs		<b>(306)</b>	(1,524)
Administrative expenses		<b>(2,559)</b>	(43,616)
Operating profit/(loss) before exceptional items		<b>2,305</b>	(1,625)
Exceptional items	7	<b>(1,644)</b>	(39,147)
Operating profit/(loss)		<b>661</b>	(40,772)
Interest payable and similar charges	8	<b>(576)</b>	(1,140)
Profit/(loss) before taxation		<b>85</b>	(41,912)
Tax on (profit)/loss	12	<b>(92)</b>	5,589
Loss for the financial year		<u><b>(7)</b></u>	<u>(36,323)</u>

The above results were derived from continuing operations.

## Firth Rixson Forgings Limited

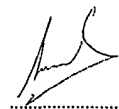
### Statement of Comprehensive Income for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
Loss for the financial year	<u>(7)</u>	<u>(36,323)</u>
Total comprehensive expense for the year	<u><u>(7)</u></u>	<u><u>(36,323)</u></u>

**Firth Rixson Forgings Limited**  
**(Registration number: 00158672)**  
**Balance Sheet as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Fixed assets</b>			
Intangible assets	13	700	506
Tangible assets	14	<u>26,378</u>	<u>30,015</u>
		<u>27,078</u>	<u>30,521</u>
<b>Current assets</b>			
Inventories	15	36,924	36,191
Debtors	16	34,770	38,457
Cash at bank and in hand		<u>1,792</u>	<u>1,261</u>
		73,486	75,909
<b>Creditors: Amounts falling due within one year</b>	17	<u>(47,933)</u>	<u>(53,028)</u>
<b>Net current assets</b>		<u>25,553</u>	<u>22,881</u>
<b>Total assets less current liabilities</b>		52,631	53,402
<b>Provisions for liabilities</b>	18	<u>(5,971)</u>	<u>(6,735)</u>
<b>Net assets</b>		<u>46,660</u>	<u>46,667</u>
<b>Capital and reserves</b>			
Called up share capital	20	4,900	4,900
Revaluation reserve		1,428	1,428
Profit and loss account		<u>40,332</u>	<u>40,339</u>
<b>Total equity</b>		<u>46,660</u>	<u>46,667</u>

The financial statements on pages 9 to 32 were approved by the Board of Directors on 24 July 2018 and signed on its behalf by:



L M Fargas Mas  
 Director

**Firth Rixson Forgings Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2017**

	Called up share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	<u>4,900</u>	<u>1,428</u>	40,339	46,667
Loss for the financial year	-	-	(7)	(7)
Total comprehensive expense for the year	-	-	(7)	(7)
At 31 December 2017	<u>4,900</u>	<u>1,428</u>	40,332	46,660

Profit and loss account represents cumulative retained comprehensive income.

Revaluation reserve relates to land and buildings - refer to note 14.

	Called up share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	<u>4,900</u>	<u>1,428</u>	76,662	82,990
Loss for the financial year	-	-	(36,323)	(36,323)
Total comprehensive expense for the year	-	-	(36,323)	(36,323)
At 31 December 2016	<u>4,900</u>	<u>1,428</u>	40,339	46,667

# **Firth Rixson Forgings Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017**

### **1 General information**

Firth Rixson Forgings Limited (the "Company") is part of the Arconic Inc. Forgings and Extrusions (AFE) business unit within the Engineered Products and Solutions business group.

The principal activity of Firth Rixson Forgings Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

The company is a private company limited by share capital, incorporated in England and Wales. The Company's registered office is located in England.

The address of its registered office is:

26a Atlas Way  
Sheffield  
S4 7QQ  
United Kingdom

These financial statements were authorised for issue by the Board on 24 July 2018.

### **2 Statement of compliance**

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

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

#### **3.1 Basis of preparation of financial statements**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### **3.2 Going concern**

The financial position of the Company is shown in the financial statements on pages 9 to 32. The directors' review both the Company's and wider group's cost base and the future liquidity requirements on a regular basis. After making enquiries, the directors have an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The notes on pages 13 to 32 form an integral part of these financial statements.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.3 Exemptions for qualifying entities under FRS 102**

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Arconic Inc., includes the Company's cash flows in its own consolidated financial statements.

This information is included in the consolidated financial statements of Arconic Inc. as at 31 December 2017 which can be obtained from Arconic Inc. Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA.

#### **3.4 Exemption from the requirement to prepare consolidated financial statements**

The Company is a wholly owned subsidiary of Arconic Inc. It is included in the consolidated financial statements of Arconic Inc. which are publicly available from either the address set out in note 25 to the financial statements or the Arconic Inc. website ([www.arconic.com](http://www.arconic.com)). Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

#### **3.5 Related party transactions**

The Company has taken advantage of the exemption, under FRS 102 from disclosing transactions with members of the same group that are wholly owned and key management personnel.

#### **3.6 Foreign currency**

##### **(i) Functional and presentation currency**

The Company's functional and presentation currency is the pound sterling.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and the loss account except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within administrative expenses. All other foreign exchange gains and losses are presented in the profit and loss account within cost of goods sold.

#### **3.7 Exceptional items**

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.



## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.8 Research and development**

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

#### **3.9 Finance income and costs**

##### **(i) Interest income**

Interest income is recognised using the effective interest rate method.

##### **(ii) Finance costs**

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

#### **3.10 Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined benefit and contribution pension plan.

##### **(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined contribution pension plan**

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

##### **(iii) Defined benefit pension plan**

The Company participates in a group defined benefit pension scheme. The pension scheme is accounted for in a fellow subsidiary, Arconic Manufacturing (GB) Limited. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme as the company is unable to separately identify its share of the underlying assets or liabilities in the scheme.

##### **(iv) Annual bonus plan**

The Company operates a discretionary bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.11 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

#### **3.12 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. The following criteria must also be met before turnover is recognised:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **3.13 Intangible assets**

Computer software and capitalised new product development are stated at cost less accumulated amortisation and accumulated impairment losses. They are amortised over its estimated useful life of between three and five years, on a straight line basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.14 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives and principal annual rates used for this purpose range as follows:

Buildings - 50 years  
Plant and equipment - 3 to 25 years  
Construction work in progress - Not depreciated  
Land - Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the profit and loss account.

#### **3.15 Government Grants**

Capital based government grants are included within deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to trading profit in the period in which the expenditure to which they relate is incurred.

#### **3.16 Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.17 Called up share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **3.18 Provision for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the balance sheet.

#### **3.19 Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### **(i) Finance leased assets**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

##### **(ii) Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.20 Impairment of non-current financial assets**

At each balance sheet date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.21 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Where relief is claimed against losses sustained by other companies in the group, this relief is charged to the Company by the donor company at the rate of £1 for every £1 of taxation not paid. Amounts payable for group relief are included in the taxation charge of the Company.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current or deferred taxation assets and liabilities are not discounted.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **3.22 Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### **(i) Financial assets**

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### **(ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as 'Creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'Creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### **(iii) Offsetting**

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

##### **(iv) Derivatives**

Derivative financial instruments can be a financial asset or a financial liability and are not basic financial instruments.

Derivatives, including forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for foreign exchange derivatives.

## **Firth Rixson Forgings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **4 Critical accounting judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(i) Useful economic lives and tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible assets, and accounting policy 3.14 for the useful economic lives for each class of assets. The directors have concluded that there is no further impairment of assets related to the Press which was impaired in the prior year.

##### **(ii) Impairment of debtors**

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

##### **(iii) Defined benefit pension scheme**

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, assets valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures relating to the defined benefit pension scheme.

##### **(iv) Impairment of tangible assets**

The Company considers whether tangible assets are impaired. Where an indication of impairment is identified the recoverable value is estimated.

The calculation of recoverable value requires the use of estimates and assumptions consistent with the most recent budgets and plans that have been formally approved by management together with the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

##### **(v) Inventory provisioning**

The Company's principal activity during the period was the production of hammer, press, extrusion and upset forgings in alloy and carbon steels, nickel based, titanium and other special alloys which are subject to changing customer requirements as a result of market conditions.

As a result of the aforementioned factors it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.



## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 5 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Sale of goods	<b>102,241</b>	102,134
Sale of scrap	<b>2,357</b>	1,764
	<b><u>104,598</u></b>	<u>103,898</u>

The analysis of the company's turnover for the year by geographical market destination is provided below:

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
United Kingdom	<b>28,450</b>	31,297
Europe	<b>23,140</b>	19,218
Rest of world	<b>53,008</b>	53,383
	<b><u>104,598</u></b>	<u>103,898</u>

#### 6 Operating profit

Arrived at after charging/(crediting)

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Inventory recognised as an expense	<b>39,258</b>	42,788
Impairment loss/(reversal) of inventories	<b>5,478</b>	(4,725)
Impairment (reversal)/loss of trade debtors	<b>(1,333)</b>	763
Depreciation expense	<b>7,873</b>	10,136
Amortisation expense	<b>58</b>	60
Foreign exchange losses/(gains)	<b>863</b>	(672)
Operating lease expense - other	<b>1,629</b>	1,830
(Profit)/loss on disposal of property, plant and equipment	<b><u>(2)</u></b>	<u>38</u>

The notes on pages 13 to 32 form an integral part of these financial statements.

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 7 Exceptional items

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Re-organisation & rationalisation costs	-	2,200
Asset impairments	-	36,947
Warranty provisions	<b>1,644</b>	-
	<b>1,644</b>	<b>39,147</b>

Following its acquisition by Arconic Inc. in November 2014, the Company reviewed its accounting assumptions in relation to inventory. Consequently, in 2015, the Company has aligned its provisioning methodology resulting in an one off cost of £6,197,000. An external environmental study was commissioned as part of the acquisition. Environmental provisions represent the assessment of the clean-up costs that the Company would incur if it were to leave its existing sites. The Company has recognised an exceptional warranty provision in relation to quality issues and a product recall on sales made in 2013. Other exceptional items include the reclassification of certain spare parts to consumables.

In addition, following review of both the future expected costs to bring a press into a working condition and the expected future economic benefit the asset would generate for the Group. It was considered that the additional investment would not support the overall cost capitalised in respect of the investment, and as such an impairment was recorded. In late December 2016, the decision was taken by Arconic Inc. to cease building the new press and impair the asset in the course of construction. The impairment charge totalled £36,947,000.

As part of the strategic review, the company identified reorganisation and restructuring costs which totalled £2,200,000.

The Company has recognised an additional warranty provision in relation to quality issues and a product recall for sales made in 2013 (see Note 18).

#### 8 Interest payable and similar charges

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Interest on bank overdrafts and borrowings	<b>49</b>	525
Interest payable on loans from group undertakings	<b>527</b>	615
	<b>576</b>	<b>1,140</b>

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Wages and salaries	<b>20,467</b>	20,853
Social security costs	<b>2,055</b>	1,787
Other pension costs	<b>1,302</b>	1,667
	<b><u>23,824</u></b>	<u>24,307</u>

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

	<b>2017</b>	2016
	<b>No.</b>	No.
Production	<b>436</b>	476
Administration and support	<b>25</b>	31
	<b><u>461</u></b>	<u>507</u>

#### 10 Directors' remuneration

The directors' remuneration for the year/period was as follows:

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Emoluments	<b>236</b>	295
Contributions paid to money purchase schemes	<b>4</b>	11
	<b><u>240</u></b>	<u>306</u>

During the year/period the number of directors who were receiving benefits and share incentives was as follows:

	<b>2017</b>	2016
	<b>No.</b>	No.
Received or were entitled to receive shares under long term incentive schemes	<b>-</b>	2
Accruing benefits under money purchase pension scheme	<b>3</b>	4
	<b><u>3</u></b>	<u>4</u>

In respect of the highest paid director:

	<b>2017</b>	2016
	<b>£ 000</b>	£ 000
Emoluments	<b>134</b>	110
Company contributions to money purchase pension schemes	<b>-</b>	5
	<b><u>-</u></b>	<u>5</u>

The notes on pages 13 to 32 form an integral part of these financial statements.

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 11 Auditors' remuneration

	2017	2016
	£ 000	£ 000
Audit of the financial statements	<u>80</u>	<u>85</u>

#### 12 Tax on loss on ordinary activities

Tax charged/(credited) in the profit and loss account

	2017	2016
	£ 000	£ 000
<b>Current taxation</b>		
UK corporation tax	(1,457)	(564)
UK corporation tax adjustment to prior periods	<u>(200)</u>	<u>963</u>
	<u>(1,657)</u>	<u>399</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>1,749</u>	<u>(5,988)</u>
Tax charged/(credited) in the profit and loss account	<u><u>92</u></u>	<u><u>(5,589)</u></u>

The tax on loss on ordinary activities before taxation for the year/period is the same as the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017	2016
	£ 000	£ 000
Profit/(loss) on ordinary activities before taxation	<u>85</u>	<u>(41,912)</u>
Corporation tax at standard rate	16	(8,382)
Effect of expense not deductible in determining taxable profit (tax loss)	3	5
Deferred tax expense (credit) relating to changes in tax rates or laws	(172)	1,342
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	445	(1,069)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	(200)	963
Tax increase (decrease) from effect of capital allowances and depreciation	-	1,468
Tax increase (decrease) from other short-term timing differences	<u>-</u>	<u>84</u>
Total tax charge/(credit)	<u><u>92</u></u>	<u><u>(5,589)</u></u>

The notes on pages 13 to 32 form an integral part of these financial statements.

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### Deferred tax

Deferred tax assets and liabilities

	<b>Asset £ 000</b>
<b>2017</b>	
Accelerated capital allowances	8,600
Short term timing differences	15
Losses	964
	<u>9,579</u>
	<b>Asset £ 000</b>
<b>2016</b>	
Accelerated capital allowances	11,328
Short term timing differences	-
Losses	-
	<u>11,328</u>

Changes in the UK corporation tax rates include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 13 Intangible assets

	Software £ 000	Other intangible assets £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2017	190	400	590
Additions	-	429	429
Disposals	(190)	-	(190)
At 31 December 2017	<u>-</u>	<u>829</u>	<u>829</u>
<b>Accumulated amortisation</b>			
At 1 January 2017	13	71	84
Amortisation charge	-	58	58
Eliminated on disposal	(13)	-	(13)
At 31 December 2017	<u>-</u>	<u>129</u>	<u>129</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>-</u>	<u>700</u>	<u>700</u>
At 31 December 2016	<u>177</u>	<u>329</u>	<u>506</u>

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 14 Tangible assets

	Freehold land and buildings £ 000	Plant and equipment £ 000	Construction in progress £ 000	Total £ 000
<b>Cost</b>				
At 1 January 2017	6,387	119,138	7,994	133,519
Additions	-	2,435	1,801	4,236
Disposals	-	(68)	-	(68)
Transfers	5,835	1,336	(7,171)	-
At 31 December 2017	<u>12,222</u>	<u>122,841</u>	<u>2,624</u>	<u>137,687</u>
<b>Accumulated depreciation</b>				
At 1 January 2017	1,556	101,948	-	103,504
Charge for the year	278	7,595	-	7,873
Eliminated on disposal	-	(68)	-	(68)
At 31 December 2017	<u>1,834</u>	<u>109,475</u>	<u>-</u>	<u>111,309</u>
<b>Carrying amount</b>				
At 31 December 2017	<u>10,388</u>	<u>13,366</u>	<u>2,624</u>	<u>26,378</u>
At 31 December 2016	<u>4,831</u>	<u>17,190</u>	<u>7,994</u>	<u>30,015</u>

#### 15 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	9,847	10,495
Work in progress	19,844	15,999
Finished goods and goods for resale	<u>7,233</u>	<u>9,697</u>
	<u>36,924</u>	<u>36,191</u>

Inventories are stated after provisions for impairment of £6,799,000 (2016: £1,321,000).

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 16 Debtors

	2017	2016
	£ 000	£ 000
Trade debtors	20,409	23,132
Amounts owed by group undertakings	1,581	1,963
Amounts owed by group undertakings - group relief	2,222	564
Other debtors	326	1,026
Deferred tax assets	9,579	11,328
Prepayments and accrued income	653	444
Total current trade and other debtors	34,770	38,457

Trade debtors are stated after provisions for impairment of £354,000 (2016: £1,687,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 17 Creditors: Amounts falling due within one year

	2017	2016
	£ 000	£ 000
<b>Due within one year</b>		
Trade creditors	18,019	14,913
Loans from group undertakings	23,636	30,367
Amounts owed to group undertakings	4,795	4,065
Other creditors	310	84
Accruals and deferred income	1,173	3,599
	47,933	53,028

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Loans and borrowings due after one year relates to a loan from Arconic UK Finance. The loan bears a fixed rate of interest, which is renewed at each annual review. At 31 December 2017, the interest rate was 1.518940% (2016: 1.65513%). The directors of Arconic UK Finance have confirmed that one year's notice will be given on any call on the outstanding balance. Accordingly, the directors have classified this loan as falling due after one year. The loan is unsecured.



## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 18 Provisions for liabilities

	<b>Warranties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 January 2017	1,487	5,248	6,735
Increase (decrease) in existing provisions	1,643	(2,407)	(764)
At 31 December 2017	3,130	2,841	5,971

Other provisions include a reserve for environmental clean-up costs and a reserve for reorganisation. During the year £168,000 was utilised for environmental clean-up costs and £2,239,000 for reorganisation.

In 2015, the Company received a claim from a customer in relation to quality issues and a product recall for sales made in 2013. During the year, the Company recognised an additional provision in respect of this.

#### 19 Pension and other schemes

##### Money purchase scheme

The company operates a money purchase scheme. The contributions to this defined contribution plan charged to the profit and loss account in 2017 amounted to £4,000 (2016: £256,000).

##### Defined benefit pension scheme

##### Firth Rixson Retirement Benefits Plan (FRRBP)

The company participates in the Firth Rixson Retirement Benefits Plan (FRRBP), which is a defined benefit scheme. However, the contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets or liabilities in the scheme. The cost of contributions to the group scheme amounted to £1,298,000 (2016: £1,411,000), and are based on pension costs of the group as a whole. Details of the FRRB Plan included in the financial statements of Firth Rixson Limited.

A full actuarial valuation was carried out at 5 April 2017 and updated to 31 December 2017 by a qualified independent actuary, Mercer. The actuarial valuation for FRS 102 at 31 December 2017 shows a net pension deficit of £8.3m (2016: £45.2m).

#### 20 Called up share capital

##### Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary share of £1 each	4,900	4,900	4,900	4,900

The notes on pages 13 to 32 form an integral part of these financial statements.

## Firth Rixson Forgings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017

#### 21 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2017	2016
	£ 000	£ 000
Not later than one year	640	1,043
Later than one year and not later than five years	1,157	1,525
Later than five years	1,290	1,413
	<u>3,087</u>	<u>3,981</u>

#### 22 Related party transactions

The Company is a wholly-owned subsidiary of Arconic Inc. and is included in the consolidated financial statements of Arconic Inc., which are publicly available. Consequently, in accordance with the exemption afforded by Financial Reporting Standard No 102, there is no disclosure in these financial statements of transactions with entities where 100% of the Company's voting rights are controlled within the Arconic Inc. group.

#### 23 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £806,000 (2016 - £Nil).

#### 24 Financial instruments

##### Categorisation of financial instruments

	2017	2016
	£ 000	£ 000
Financial assets that are debt instruments measured at amortised cost	22,316	26,121
Financial liabilities measured at amortised cost	47,933	53,028

#### 25 Parent and ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Firth Rixson Limited, incorporated in England and Wales.

Arconic Inc., forms the largest and smallest group in which the results of the Company are consolidated and is the ultimate controlling party.

The consolidated financial statements are available upon request from Arconic Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA or the website ([www.arconic.com](http://www.arconic.com)).