Registration number: 2659893

Howmet Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

ARCONIC
Innovation, engineered.

Howmet Limited

Contents

Howmet Limited

Company Information

Directors	P M Talbot
	B Mueller
	S M Woods
	L M Fargas Mas
Company secretary	P Pappinniemi-Ainger
Registered office	26a Atlas Way Sheffield S4 7QQ United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

Howmet 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 Howmet Limited (the "Company") continues to be the manufacture and sale of precision investment castings for gas turbines used in jet engines and power generation equipment and the manufacture and sale of vacuum melted and air melted nickel and cobalt based super 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 9 and show a profit for the financial year of £11,196,000 (2016: profit £9,174,000).

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:

	2017	2016
	£ 000	£ 000
Operating profit	**13,946**	11,713
EBITDA	**15,666**	13,449
Net current assets	**27,339**	27,288

	2017	2016
	%	%
Operating profit/turnover	**11.6**	11.7
Net current assets/turnover	**22.7**	27.3

	2017	2016
Operating profit/employee	**£26,116**	£23,567

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 26 to the financial statements or on the Arconic Inc. website (www.arconic.com).

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

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L M Fargas Mas
Director

Howmet Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their annual report and 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:

P M Talbot

L M Fargas Mas

D Bauer (resigned 24 April 2018)

The following directors were appointed after the year end:

B Mueller (appointed 19 April 2018)

S M Woods (appointed 19 April 2018)

Results and dividends

The results of the Company for the year ended 31 December 2017 are shown in the profit and loss account on page 9 and show a profit for the financial year of £11,196,000 (2016: profit £9,174,000). A dividend of £12,000,000 was paid during the financial year ended 31 December 2017 (2016: Nil).

Future developments

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

Going concern

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.

Howmet Limited

Directors' Report for the Year Ended 31 December 2017

Charitable and political donations
Charitable donations made to local organisations amounted to £360 (2016:£360). No political donations were made during the year (2016: Nil).

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, credit risk, liquidity risk and cash flow risk
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 other 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..

Research and development
The Company's research and development activity is dedicated to improving the application of existing technology to meet customer requirements. In addition, research is also undertaken into advancing knowledge and technology aimed at new processes and products. Research and development expenditure is written off to the profit and loss account in the year in which it is incurred. The costs as regards these activities are set out in note 6 to the financial statements.

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.

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:

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L M Fargas Mas
Director

Howmet Limited

Independent auditors' report to the members of Howmet Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Howmet 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Howmet 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. This description forms part of our auditors' report.

Independent auditors' report to the members of Howmet 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.

Ian Clarke

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Ian Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Cardiff

30 July 2018

Howmet Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	5	**120,516**	99,965
Cost of sales		**(100,749)**	(83,091)
Gross profit		**19,767**	16,874
Distribution costs		**(341)**	(396)
Administrative expenses		**(5,480)**	(4,765)
Operating profit	6	**13,946**	11,713
Interest receivable and similar income	7	**28**	23
Interest payable and similar charges	8	**-**	(246)
Profit before tax		**13,974**	11,490
Tax on profit	12	**(2,778)**	(2,316)
Profit for the financial year		**11,196**	9,174

The above results were derived from continuing operations.

Howmet Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
Profit for the financial year	**11,196**	9,174
Total comprehensive income for the year	**11,196**	9,174

Howmet Limited

(Registration number: 2659893)
Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	13	**9**	22
Tangible assets	14	**20,786**	18,270
		20,795	18,292
Current assets			
Inventories	15	**20,862**	21,087
Debtors	16	**37,577**	36,955
Cash at bank and in hand		**63**	80
		58,502	58,122
Creditors: Amounts falling due within one year	17	**(31,163)**	(30,834)
Net current assets		**27,339**	27,288
Total assets less current liabilities		**48,134**	45,580
Creditors: Amounts falling due after more than one year	17	**(3,269)**	(150)
Provisions for liabilities	18	**(871)**	(632)
Net assets		**43,994**	44,798
Capital and reserves			
Called up share capital	21	**1,000**	1,000
Share premium account		**23,920**	23,920
Profit and loss account		**19,074**	19,878
Total equity		**43,994**	44,798

The financial statements on pages 9 to 31 were approved by the Board of Directors on 24 July 2018 and signed on its behalf by:

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L M Fargas Mas

Director

Howmet Limited

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

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	**1,000**	23,920	19,878	44,798
Profit for the financial year	**-**	-	11,196	11,196
Total comprehensive income for the year	**-**	-	11,196	11,196
Dividends	**-**	-	(12,000)	(12,000)
At 31 December 2017	**1,000**	23,920	19,074	43,994

Profit and loss account represents cumulative retained comprehensive income.

Dividends paid - see Note 22

Share premium account represents consideration received in respect of the issuance of share capital in excess of the nominal value of that share capital, less any costs directly incurred in connection with the issue.

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	**1,000**	23,920	10,704	35,624
Profit for the financial year	**-**	-	9,174	9,174
Total comprehensive income for the year	**-**	-	9,174	9,174
At 31 December 2016	**1,000**	23,920	19,878	44,798

1 General information

Howmet Limited (the "Company") is part of the Arconic Inc. Power and Propulsion ('APP') business unit within the Engineered Products and Solutions business group.

The principal activity of the Company continues to be the manufacture and sale of precision investment castings for gas turbines used in jet engines and power generation equipment and the manufacture and sale of vacuum melted and air melted nickel and cobalt based super 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

The principal place of business is:
Kestrel Way
Exeter
EX2 7LG

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

2 Statement of compliance

The financial statements of Howmet 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 31. 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.

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 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.

3.5 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.

3.6 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.

(v) Share-based payments
Arconic Inc. group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the expected vesting period is determined by reference to the fair value of options granted, excluding the input of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The Company recognises an expense in the profit and loss account in a similar way based on those options granted to subsidiary employees, with a corresponding adjustment to equity.

3.7 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.

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 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.

3.10 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.

3.11 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 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.

3.13 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.

3.14 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 - 25 years
Plant and equipment - 4 to 33 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 Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is 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.

3.16 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.

3.17 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.

3.18 Dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

3.19 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.

3.20 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.

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.

(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) Inventory provisioning
The Company is involved in the manufacture and sale of precision investment castings for gas turbines used in jet engines and power generation equipment and the manufacture and sale of vacuum melted and air melted nickel and cobalt based super alloys and is 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.

Howmet 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:

	2017 £ 000	2016 £ 000
Sale of goods	**119,064**	97,949
Sale of scrap	**1,452**	2,016
	120,516	99,965

The analysis of the Company's turnover by geographical market destination is provided below:

	2017 £ 000	2016 £ 000
United Kingdom	**35,469**	34,678
Rest of Europe	**50,019**	54,279
Rest of World	**35,028**	11,008
	120,516	99,965

6 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Inventory recognised as an expense	**99,626**	82,096
Depreciation expense	**1,707**	1,724
Amortisation expense	**13**	12
Research and development cost	**8,361**	11,907
Foreign exchange gains	**(468)**	(159)
Operating lease expense - other	**671**	630
Loss on disposal of property, plant and equipment	**42**	-
Impairment of inventory	**1,174**	994

7 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Other finance income	**28**	23

8 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Losses on derivative financial instruments	**-**	246

9 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	18,001	16,657
Social security costs	1,966	1,763
Other pension costs	3,188	2,922
	23,155	21,342

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

	2017 No.	2016 No.
Production	512	476
Administration and support	22	21
	534	497

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	134	129

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

	2017 No.	2016 No.
Received or were entitled to receive shares under long term incentive schemes	1	1
Accruing benefits under defined benefit pension scheme	1	1

11 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	42	43

12 Tax on profit on ordinary activities

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

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	2,477	2,106
UK corporation tax adjustment to prior periods	62	22
	2,539	2,128
Deferred taxation		
Arising from origination and reversal of timing differences	239	188
Tax expense in the income statement	2,778	2,316

The tax on profit on ordinary activities before taxation for the year 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 £ 000	2016 £ 000
Profit on ordinary activities before taxation	13,974	11,490
Corporation tax at standard rate	2,690	2,298
Effect of expense not deductible in determining taxable profit (tax loss)	2	7
Deferred tax expense (credit) relating to changes in tax rates or laws	(34)	(56)
Increase (decrease) from effect of tax incentives	72	-
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(14)	(15)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	62	22
Tax increase (decrease) from effect of capital allowances and depreciation	-	60
Total tax charge	2,778	2,316

Deferred tax

Deferred tax assets and liabilities

2017	Liability £ 000
Accelerated capital allowances	**785**
Short term timing differences	**7**
	792

2016	Liability £ 000
Accelerated capital allowances	553
Short term timing differences	-
	553

The Finance Act 2016 which was substantially enacted on 6 September 2016 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.

13 Intangible assets

	Software £ 000	Total £ 000
Cost		
At 1 January 2017	71	**71**
At 31 December 2017	71	**71**
Accumulated amortisation		
At 1 January 2017	49	**49**
Amortisation charge	13	**13**
At 31 December 2017	62	**62**
Carrying amount		
At 31 December 2017	9	**9**
At 31 December 2016	22	**22**

14 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Construction in progress £ 000	Total £ 000
Cost				
At 1 January 2017	9,498	58,656	6,510	**74,664**
Additions	-	-	4,269	**4,269**
Disposals	-	(1,309)	-	**(1,309)**
Transfers	84	2,630	(2,714)	**-**
At 31 December 2017	9,582	59,977	8,065	**77,624**
Accumulated Depreciation				
At 1 January 2017	8,217	48,177	-	**56,394**
Charge for the year	304	1,403	-	**1,707**
Eliminated on disposal	-	(1,263)	-	**(1,263)**
At 31 December 2017	8,521	48,317	-	**56,838**
Carrying amount				
At 31 December 2017	1,061	11,660	8,065	**20,786**
At 31 December 2016	1,281	10,479	6,510	**18,270**

15 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	**6,335**	6,246
Work in progress	**10,945**	11,893
Finished goods and goods for resale	**3,582**	2,948
	20,862	21,087

Inventories are stated after provisions for impairment of £2,239,000 (2016: £2,000,000).

16 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	**15,584**	14,568
Amounts owed by group undertakings	**1,058**	1,602
Amounts held on deposit with group undertakings	**13,304**	13,004
Other debtors	**5,242**	6,510
Tooling contracts	**2,221**	809
Prepayments and accrued income	**168**	462
	37,577	36,955
Less non-current portion - tooling contracts	**(2,221)**	(809)
Total current trade and other debtors	**35,356**	36,146

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

17 Creditors

	2017 £ 000	2016 £ 000
Due within one year		
Trade creditors	**14,298**	16,218
Loans owed to group undertakings	**-**	246
Amounts owed to group undertakings	**3,490**	2,445
Amounts owed to group undertakings - group relief	**5,156**	4,721
Other taxation and social security	**478**	444
Other payables	**6,699**	5,872
Accruals and deferred income	**1,042**	888
	31,163	30,834
Due after one year		
Other non-current financial liabilities	**125**	150
Non-current tooling contracts	**3,144**	-
	3,269	150

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

18 Provision for liabilities

	Warranties £ 000	Deferred tax £ 000	Total £ 000
At 1 January 2017	79	553	632
Increase (decrease) in existing provisions	-	239	239
At 31 December 2017	79	792	871

Occasionally, claims are received from customers in relation to product quality issues. In such instances the company works closely with customers to ensure that any rectification work is undertaken swiftly. The cost of this rectification work is estimated and included as a provision.

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 £2,704,000 (2016: £2,452,000).

Defined benefit pension scheme

Arconic Britain Pension Scheme ("ABP Scheme")

The company participates in the Arconic Britain Pension Scheme ("ABP Scheme"), 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. Details of the ABP Scheme are included in the financial statements of Arconic Manufacturing (GB) Limited.

The date of the most recent comprehensive actuarial valuation was 5 April 2014. An actuarial valuation review for FRS 102 purposes of the ABP Scheme was undertaken on 31 December 2017 and a surplus of £62,060,000 (2016: deficit £10,331,000) was recognised.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £483,000 (2016 - £470,000).

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	394	398
Later than one year and not later than five years	1,423	1,255
Later than five years	5,291	5,455
	7,108	7,108

21 Called up share capital

Allotted, called up and fully paid shares

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

22 Dividends

Final dividends paid

	2017 £ 000	2016 £ 000
Final dividend of £12.00 (2016 - £Nil) per each ordinary share	12,000	-

23 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £711,000 (2016 - 1,542,000).

24 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.

25 Financial instruments

Categorisation of financial instruments

	2017 £ 000	2016 £ 000
Financial assets that are debt instruments measured at amortised cost	**35,188**	36,495
Financial liabilities measured at amortised cost	**25,529**	25,671

26 Parent and ultimate parent undertaking and controlling party

The Company's immediate parent is Arconic Extruded Products (UK) 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