

Ambrian plc

Report and Financial Statements
Year Ended 31 December 2016

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Ambrian plc
Report and financial statements
for the year ended 31 December 2016

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Officers and advisers

Directors

Martin Abbott (*Chairman*)
Jean-Pierre Conr d (*Chief Executive*)
John M Coles (*Finance Director*)
Nicolas F Rouveyre (*Non-executive Director*)
Charles Davies (*Non-executive Director*)
Oliver Benz (*Non-executive Director*)

Registered Office

27/28 Eastcastle Street, London, W1W 8DH

Company Secretary

Cargil Management Services Limited, 27/28 Eastcastle Street, London, W1W 8DH

Company Registration Number

3172986

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Registrar

Capita Asset Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Nominated Adviser

Cenkos Securities plc, 6-7-8 Tokenhouse Yard, London, EC2R 7AS

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Chairman's and Chief Executive's statement

For the year ended 31 December 2016 the Group gross profit was US\$ 1.22 million on a turnover of US\$ 1.05 billion (2015: gross loss of US\$ 4.01 million on a turnover of US\$ 1.90 billion).

For the period under review EBITDA was a loss of US\$ 6.04 million (2015: US\$ 8.75 million loss), the loss being primarily a function of administrative and employment costs.

Group loss before tax and impairment charge for 2016 amounted to US\$ 9.85 million (2015: loss before tax of US\$ 9.36 million). Within this, metal trading activities reported a loss before tax, including provisions for closure, of US\$ 3.98 million for the period (2015: loss before tax of US\$ 8.92 million). The cement business reported a loss before tax and impairment charge of US\$ 5.73 million for the period (2015: profit before tax of US\$ 0.67 million), largely attributable to interest expenses adversely affected by punitive rates applied on local borrowings in Mozambique. An impairment charge of US\$ 21.29 million (2015: nil) on the cement plant was incurred after an assessment by management, considering such factors as future expected cashflows, exchange rates, discount rates and the expected terminal value of the plant.

Overview

2016 saw a recovery for commodities with the Bloomberg Commodities Index (a broadly diversified commodity price index) gaining over 10 per cent., breaking a five-year streak of annual losses. The recovery in industrial metals prices was supported by strong Chinese demand and expectations of increased infrastructure spend after the US elections. Realisation by market participants that the fear of an oversupply in many markets was overdone was further supported by declining inventory levels, increasing confidence that strong demand could be sustainable. Underperforming base metals for most of 2016, the copper market experienced a shift in sentiment towards the end of the year.

Despite the recovery in commodity markets, the Board of Directors concluded that the Company's capital base was not sufficient, and its organisation not adapted, to grow the metal trading activities into a robust, diversified and scalable business model. Accordingly, the Board of Directors decided that the Company's metal trading activities would be wound down in an orderly fashion and closed. Unlike capital engaged in the Company's industrial assets, capital employed in the metal trading activities can be released within a relatively short time span. As a result, over the last quarter of 2016, most staff engaged in the Company's trading and logistics operations were retrenched with a skeleton staff retained temporarily to run down the existing contracts. All trading activities will have been terminated and contracts closed by mid-2017. Following the decision to close the metals trading activities, the Company moved to smaller head office premises in London and is closing down the offices in China, Taiwan and Singapore.

Weak commodity prices and the anaemic general trading environment contributed to Mozambique's sharp slowdown in economic activity over the period under review. This was further compounded by the revelation of large undisclosed borrowings contracted by state controlled entities, the sharp reduction in foreign direct investments and the international community's decision to stop supporting the country's budget deficits. Mozambique's real GDP growth dropped to 3.3 per cent. from 6.6 per cent. in 2015 and the local currency depreciated by up to some 40 per cent. against the US dollar during 2016, fuelling 25 per cent. inflation by the end of October 2016. The sharp deterioration in economic conditions has had a significant impact on households and a nascent small and medium sized business sector. Reduced investments in real estate, construction and financial services combined with the public sector's consolidation and monetary tightening are also contributing to the slowdown in growth. It is against this backdrop that our cement grinding operations in Central Mozambique, Cimentos da Beira, completed its first full year of operations.

The market for cement in Central Mozambique grew just under 5 per cent. in 2016 when compared to 2015 which is below historic growth trends. Cement sales achieved by our subsidiary in 2016 were lower than forecast as a result of increasing competitive pressure combined with reduced disposable income and difficult credit conditions affecting the local residential and nonresidential sectors. Significantly weaker public spending on infrastructure and delayed project execution also affected construction activities and cement apparent consumption. Cimentos da Beira captured approximately 18 per cent. of the Central

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Chairman's and Chief Executive's statement (*Continued*)

Mozambique local cement market estimated at around 700 thousand tonnes a year. Although below our target market share, we refrained being drawn into aggressive marketing tactics for the sake of increasing sales volumes. Simultaneously to the local currency collapsing against the US dollar, realised cement prices in US dollar equivalent were under intense pressure throughout the year improving only marginally by year-end having bottomed out from record lows during September 2016. More frequent and successive industry wide price increases in local currency have yet to compensate fully for the sharp drop in the local currency against the US dollar and allow the industry to generate normalised cash margins which are customary in this business.

The operating performance of the plant has not raised any particular issues with efficiencies and usage factors improving steadily since the plant's commissioning at the end of 2015. Our staff in Beira are also working hard to obtain ISO 9001 accreditation for the plant which we expect to achieve before the end of 2017. This accreditation and certification of its products will allow Cimentos da Beira to supply cement to large public and private projects for which accreditation is a prerequisite. Despite constant efforts to reduce our cost base, or milling at night so as to benefit from the low tariff structure, unit costs will decrease significantly only with the expected higher asset utilisation.

Board changes

Robert Adair who had served as Chairman and a Member of the Board of directors since February 2015, resigned as a non-executive Director of the Company. Robert decided that after steering the company through the merger with Consolidated General Minerals plc and the start-up of the cement plant in Mozambique it was an opportune time to step down. We would like to thank Robert for his valuable contribution to the Company over the last number of years and in particular during the time running up to the merger, and wish him well in the future. Martin Abbott was appointed as non-executive Chairman. In December 2016, Oliver Benz was appointed to the Board as a non-executive Director.

Outlook

It is anticipated that the metals trading business will have run off all its positions and all staff will have been retrenched by mid-2017. At that point, all metal trading working capital will have been turned to cash.

The Sub-Saharan African economic outlook remains clouded despite some encouraging news such as Mozambique's gas production prospects that are shaping expectations for a growth recovery. With an improving commodity outlook, Mozambique's largest exports such as coal are beginning to show some colour. The challenge remains for the country to ensure that future wealth from these sectors is deployed efficiently to spur growth in the non "mega project" sector without corrupt practices undermining such efforts. Over the first quarter of 2017 cement demand in Central Mozambique contracted by approximately 9 per cent. compared to the first quarter of 2016. Adverse weather conditions are only part of the explanation as the sector continues to be affected by a high interest rate environment, reduced liquidity and little public spending on critical infrastructure. We remain cautiously optimistic as we enter the second half of 2017. Demand for cement in emerging economies customarily mirrors economic growth patterns and can be greatly exceeded during an infrastructure expansion. We expect that starting in 2018, projects to improve the country's derelict transport network and access to power will become significant drivers of the construction sector and hence spur demand for cement and concrete based products.

Cimentos da Beira continues to consolidate its business model and focus on improving distribution channels as well as operational efficiencies, targeting a 30 per cent. market share in Central Mozambique. Over the past year we have achieved a commercial transformation which has resulted in our products and services being differentiated and well received by end users despite the competitive landscape. Combined with the strengthening of the local currency by some 20 per cent. since the beginning of 2017, successive price increases implemented by the industry are slowly bringing cement prices to levels customarily seen in neighbouring countries. We therefore expect that barring unforeseen circumstances, cash margins for the industry should improve over the course of 2017. This will be further entrenched as we attempt to source locally approximately 30 per cent. of our raw material requirements instead of relying on imports.

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Chairman's and Chief Executive's statement (*Continued*)

We constantly review our strategy and the necessity to protect our capital base. This has proven to be difficult in the current environment. Also, we are of the opinion that a one-asset publicly quoted company is not a long term sustainable value proposition for our stakeholders. Accordingly, we continue to assess a number of strategies, investments and corporate transactions which we believe could assist the Group in protecting its capital base and improve its corporate profile.

Martin Abbott
Chairman

Jean-Pierre Conrad
Chief Executive

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Strategic report

The Directors of the Company present their Strategic report for the year ended 31 December 2016.

Overview of the Group

Ambrian is active in the manufacturing and distribution of Cimentos da Beira branded cement and cement products in Mozambique. The grinding plant located in the coastal town of Beira was commissioned at the end of 2015. With a nameplate capacity of approximately 110 tonnes/hour, the business is expected to capture some 30 per cent. of the cement market in Central Mozambique. Cimentos da Beira branded products and services have been well accepted by end users, a tribute to the efforts made to offer a broad spectrum of quality products tailored to the requirements of the residential and non-residential sectors.

In the last half of 2016, the Directors of the Company decided to wind down the metals trading activities. This was felt necessary in light of prevailing uncertainties in the metal markets and to protect capital employed in the metals trading activities. Since then, existing contracts have been run to their term and it is anticipated that the last contracts will be closed by mid-2017.

Business review and future prospects

Cement

Turnover of US\$10.01 million for the year represents the first full year of sales compared to US\$ 2.08 million in the comparative period in 2015 when production commenced towards the latter part of that year.

The business reported a gross profit of US\$ 0.82 million in 2016 (2015: US\$ 0.19 million). After a US\$ 21.29 million impairment charge, overheads, depreciation and interest, the business reported a loss before tax of US\$ 27.02 million (2015: profit US\$ 0.67 million). Factors contributing to the loss, excluding the impairment charge, were depreciation and interest payable on the long-term borrowings arranged in conjunction with the funding of the plant's construction.

Metals trading activities

Including closure costs, the activity reported a loss before taxation of US\$ 3.98 million in 2016 (2015: loss before taxation of US\$ 8.92 million) on turnover of US\$ 1,037 million in 2016 (2015: US\$ 1,895 million). The decrease in turnover primarily reflects lower traded volumes as the business was run down. Costs of closing this business, including redundancy costs, have been accrued at 31 December 2016.

Performance management and business development

Our key performance indicators include, but are not limited to, both financial and operational metrics. Indicators of the financial metrics are revenue per segment, gross profit and margin, profit before tax, available liquidity, free cash, and tangible net asset value. Additional key performance indicators for our cement plant include sales volumes and prices, unit costs, overheads and capital allocations. This is discussed in greater detail below under the financial performance of the Group.

We continue to maintain strict cash management and customer credit controls. These controls were evidenced by another year with no bad debts or provisions for bad debts. Further, as a Group we continue to strive for a sustainable approach to our operations.

Financial performance of the Group

The Group recorded a loss after tax of US\$ 24.40 million (2015: loss US\$ 7.02 million).

Net revenue was US\$ 1.22 million for the year ended 31 December 2016 compared with a loss of US\$ 4.01 million for the year ended 31 December 2015.

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Strategic report (Continued)

Administrative expenses of US\$ 7.26 million (2015: US\$ 4.74 million) were higher than the comparative period due to closure costs of the trading business and increased staffing as the cement business ramped up its activities from commission date onwards.

Depreciation and impairment expenses were US\$ 23.49 million for the year compared to US\$ 0.44 million in the previous year. This was due to an impairment charge of US\$ 21.29 million on the valuation of the cement business the rationale for which is explained in note 10 of the Financial Statements. Accordingly, the Group reported a post-tax loss of US\$ 24.40 million (2015: post-tax loss of US\$ 7.02 million). The difference is significantly impacted by the impairment charge explained above.

Expenses

Group administrative overheads were US\$ 7.26 million for the year (2015: US\$ 4.74 million). The increase in overheads are attributable to the closure costs of the trading and logistics activity and increased costs related to the increase in commercial operations at the cement plant. Net head office costs of US\$ 0.14 million were significantly lower than the previous year (2015: US\$ 1.79 million), principally due to a gain arising from the revaluation of the convertible loan notes which are denominated in sterling and are converted into US dollars.

Assets

Total assets were US\$ 284 million at 31 December 2016 (2015: US\$ 419 million). The decrease is mostly attributable to the impairment charge on the cement business and a reduction in the working capital employed in the metals trading activities.

The Group's cash resources totaled US\$ 6.69 million at 31 December 2016 (2015: US\$ 9.82 million). The reduction is primarily the result of the losses incurred in the Group although it should be noted that the Group's cash resources can fluctuate significantly on a daily basis due to haircuts and margin calls in the trading business.

Inventory was US\$ 156.22 million at 31 December 2016 (2015: US\$ 262.54 million). Inventory comprises mostly metal in transit or in warehouse and raw materials inventories in the cement business. The reduction in inventory was consistent with the running down of the metals trading business.

Net tangible asset value per share at 31 December 2016 was US cents 10.97 (2015: US cents 20.67). Net tangible asset value is based on 246,457,301 ordinary shares outstanding at 31 December 2015 (excluding 4,500,058 Treasury shares, 8,484,466 non-Treasury shares and 6,259,046 shares held by the Ambrian Capital Employee Benefit Trust). At 31 December 2015, the calculation was based on 236,810,653 ordinary shares and 9,707,102 Second Tranche Deferred Convertible Securities outstanding at 31 December 2015 (excluding 4,500,058 Treasury shares, 28,812,191 non-Treasury shares and 6,259,046 shares held by the Ambrian Capital Employee Benefit Trust).

Risk Management and Financial Risk

The Group attaches great importance to effective risk management. The principal business units operate through their own management committees which meet monthly and are also attended by the Group's senior management. The Group's principal exposures are monitored daily and reviewed by the Group's senior management. The Group also operates an Executive Committee, comprising the Chief Executive, the heads of metals trading and cement, the Finance Director and the Chief Operating Officer.

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Strategic report (*Continued*)

The key business risks to which the Group is exposed are as follows:

Competition

The Group operates in a competitive environment with a limited customer and supplier base and is therefore vulnerable to losing business to third parties willing to offer more competitive terms. We aim to mitigate this risk by maintaining close long term relationships with our customers, seeking to expand our customer base and providing differentiated and tailored products and services.

Operational risk

The production of cement requires that the equipment which is technically sophisticated, operates according to specification. The equipment is maintained in accordance with the suppliers' specifications and industry's best practice.

The value of some of the Group's trades particularly in its merchant activities is significant. The Group is accordingly exposed to the risk of material loss through operational errors in conducting and executing those trades. We manage this risk by a combination of well established procedures, an experienced and well-trained execution team, and sophisticated trade capture systems which are designed to minimise the risk of loss through such errors.

Currency risk and exchange rate fluctuations

The Group is exposed to foreign currency risk due to fluctuations in exchange rates. The majority of revenues in the cement business are earned in Mozambique Meticals whereas most costs incurred are in US dollars. All revenues and most cost of sales of the metals trading business are earned in US dollars whereas most overheads are incurred in pounds sterling.

Currency fluctuations may affect the Group's operating cash flow since certain of its costs and revenues are likely to be denominated in a number of different currencies other than US dollars and any income may become subject to exchange control or similar restrictions. Fluctuations in exchange rates between currencies may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results or its underlying operations.

The balance sheet is only partly covered for borrowing funds in foreign currency and consequently, a significant decrease in the aggregate value of such currencies against the reporting currency could have a materially significant impact on the equity of the Group. Those currency fluctuations may also give rise to the reporting of currency exchange losses in operations which will be reflected in the consolidated financial statements of the Group.

Premium risk

Whilst our trading and logistics activities are substantially hedged in respect of price risk and operate a service like margin-based business model, the prime determinant of the profitability of the metals trading business is the premium margin made on the sale of the metal or mineral. Premiums are a function of numerous factors such as supply and demand, availability, regulations, global and regional economic conditions and natural events. Premiums also vary on a regional basis. A significant reduction in the premium margin or a material change in market dynamics would be likely to have a materially adverse effect on the Group. We manage this risk through diversification of our clients and suppliers on a geographical basis. Also, the Group will as far as possible match purchases and sales, locking in the margin premium to the largest extent possible.

Commodity concentration and disintermediation

The Group's principal business is focused on the metals, minerals and industrial building and construction material sectors which are prone to cyclical movements. Any material change in the demand and supply dynamics for relevant commodities or materials could have an adverse impact on the Group's performance. This is mitigated by the business having long term relationships with its clients and suppliers.

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Strategic report (*Continued*)

Loss of key staff

Retaining key staff, including, in particular, significant current and future revenue generators, is essential to the long-term health and growth of the business. The Group's policies on remuneration are devised to engender loyalty and promote performance by such staff. These policies include payment of bonuses and long term incentive plans where appropriate. Succession management is also of importance to preserve key customer relationships. The Group seeks to ensure that these relationships will be maintained notwithstanding the loss of key personnel.

Anti-bribery policy

Doing business in certain countries in which we operate brings with it inherent risks associated with enforcement of obligations, fraud, bribery and exposure to potential corruption. Legal rights may be difficult or impossible to enforce. The Group has a formal anti-bribery policy with which we are fully compliant.

Information technology risk

All of our businesses depend upon robust, effective and efficient IT support. We have in place appropriate back up procedures to safeguard the loss of information and records arising from IT failure. We also seek to ensure that our own material data and service providers have appropriate back up and disaster recovery procedures in place to overcome or mitigate any damage to us resulting from their failure.

Legal risk

Legal risk is inherent in most transactions affecting our businesses. This is managed by the use of external legal advisers where appropriate and the adoption of industry standard documentation.

Approved by the Board of Directors and signed on behalf of the Board of Directors on 8 June 2017.

John M Coles
Finance Director

Ambrian plc

Report of the Directors

for the year ended 31 December 2016

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

Principal activities

The Group has two main operating businesses:

- sourcing and marketing of physical metals and minerals;
- production and sale of cement and concrete based products.

The investment portfolio has become insignificant during the year.

Business and review of future prospects

A review of the activity of the businesses, key performance indicators and future prospects is contained in the Chairman's and Chief Executive's Statement and the Strategic report pages 4 to 10 which accompany these financial statements.

Dividends

The Board is not recommending the payment of a dividend (2015: nil).

Directors' indemnity arrangements

The Group has purchased and maintained throughout the year qualifying indemnity provisions through Directors' and Officers' liability insurance.

Substantial shareholders

The Directors are aware of the following shareholders that have interests of 3 per cent. or more in the Company's shares as at 30 April 2017:

	<i>Number</i>	<i>Percentage</i>
Kestrel Partners LLP	37,031,039	14.65%
Davies C S Esq	27,816,339	11.01%
Rouveyre N F M Esq	25,883,430	10.24%
Conrad J P Esq	24,553,407	9.72%
Cordani P Esq	11,582,148	4.58%
Carrarini K Esq	9,442,077	3.74%
Adair R Esq	9,314,553	3.69%
AMG Invest GmbH	9,225,700	3.65%

Acquisition of own shares

At the Annual General Meeting of the Company held on 20 July 2016 the Company was given authority to grant rights to subscribe for shares in the Company up to an aggregate nominal amount of £0.9 million. The authority will expire on the earlier of the conclusion of the Annual General Meeting of the Company in 2017 and 30 September 2017.

The Company did not purchase any of its own ordinary 1p shares during the year (2015: nil 1p shares). The number of shares held in treasury at the year-end remained unchanged at 4,500,058 shares. At 31 December 2016, the Company had 265,700,871 shares in issue (2015: 276,381,948). Therefore, at 31 December 2016, the total number of shares held in treasury represented 1.69 per cent. (2015: 1.63 per cent.). Shares held in treasury may in the future contribute to staff share schemes.

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Report of the Directors
for the year ended 31 December 2016 (Continued)

Employee Benefit Trust

The Group has an Employee Benefit Trust ("EBT") for the benefit of its employees. At 31 December 2016, the EBT held 6,259,046 ordinary 1p shares in the Company (2015: 6,259,046 1p shares). Details of the share options granted to staff by the EBT are set out in note 20.

Internal controls

The Directors acknowledge their responsibility for the Group's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. Whilst conscious that no system can provide absolute assurance against material misstatement, fraud, or loss, the Directors are satisfied that having regard to the Group's size and stage of development, the system of controls currently in place is adequate and effective.

Directors and their interests

The present membership of the Board, together with details of the Directors who served during the year and their interests in the share capital of the Company are set out below.

	Ordinary shares		Share options	
	At 31 December 2016 or on resignation if earlier	At 1 January 2016 or on appointment if later	At 31 December 2016 or on resignation if earlier	At 1 January 2016 or on appointment if later
J M Coles	450,000	450,000	—	450,000
J P Conrad	24,553,407	22,339,666	—	—
C S Davies	27,816,339	27,018,854	—	—
N F Rouveyre	25,883,430	24,885,762	—	—
M Abbott	—	—	—	—
O Benz	4,685,304	4,685,304	—	—
R F Adair	9,314,553	8,816,522	—	—

Mr O Benz was appointed to the Board on 20 December 2016.

Mr R F Adair resigned from the Board on 20 July 2016.

Further details in respect of the share options are disclosed in note 20.

Ambrian plc
Report of the Directors
for the year ended 31 December 2016 (Continued)

Political Donations

No political donations were made by the Group during 2016 (2015: nil).

Disclosure of information to auditors

In so far as the Directors are aware, at the time this report was approved:

- There is no relevant audit information of which the Group's auditor is unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Financial risk management

Financial risk management objectives and policies and risk arising from financial instruments are disclosed in note 26 to the consolidated financial statements.

Post balance sheet events

There were no post balance sheet events.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board of Directors, 8 June 2017.

John M Coles

Finance Director

Ambrian plc

Corporate Governance

The Directors give due regard to the principles set out in The UK Corporate Governance Code published in September 2014 by the Financial Reporting Council. They do not need to comply with the Code. However they have chosen to adopt those principles that are appropriate given the size and nature of activities of the Group.

The Board meets at least six times a year and at such other times when necessary in order to determine the strategy and policy of the Group, its trading performance, the risks to which the Group is exposed and any other matters of significance affecting the Group. The Board has a schedule of matters specifically reserved to it for decision.

The Remuneration Committee comprises all the Non-executive Directors of the Company and is chaired by Mr C S Davies. The Committee determines salary levels, discretionary bonuses and the terms and conditions of service of the executive Directors together with their share option awards. It also reviews the remuneration recommendations (including the overall level of bonuses and individual share option awards) relating to other staff. The Remuneration Committee is also responsible for exercising discretions in relation to the Group's share option scheme and for the development of the Group's strategy in relation to the use of equity related remuneration for the benefit of the Group's employees.

The Audit Committee comprises all the Non-executive Directors of the Company and is chaired by Mr M Abbott. Mr J M Coles and Mr J P Conrad, although not members of the Committee, regularly attend the meetings. The Committee meets twice a year and is responsible for monitoring the effectiveness of the internal control environment, reviews external financial reporting and monitors the framework for compliance with relevant laws and regulations. The Committee reports to the Board on the Group's full and half year results having considered the Group's accounting policies and relevant accounting principles applicable to the Group. The Committee also monitors the relationship between the Group and its auditors.

Table of meetings and attendees

	<i>Board Meetings</i>	<i>Audit Committee</i>
Number of meetings held	6	2
M Abbott	6(6)	2(2)
R F Adair	2(2)	1(1)
J M Coles	6(6)	—
J P Conrad	6(6)	—
C S Davies	6(6)	2(2)
N F Rouveyre	5(6)	2(2)

Mr O Benz was appointed a Director on 20 December 2016 and did not attend any of the meetings in 2016.

In the above table the numbers in brackets indicate the number of meetings which the Director concerned was eligible to attend. Three Remuneration Committees were held during the year.

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Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law requires directors to prepare financial statements for each financial year. Under that law directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under company law 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 group and company and of the profit or loss of the group and company for that period. Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the company financial statements have been prepared in accordance with UK GAAP and whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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Independent Auditor's Report

Independent Auditor's Report to the Members of Ambrian plc

We have audited the financial statements of Ambrian plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, company balance sheet, company statement of changes in equity, company statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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Independent Auditor's Report (*Continued*)

Matters on which we are required to report by exception

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

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

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

Scott Knight (*senior statutory auditor*)

For and on behalf of BDO LLP, statutory auditor
London

8 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ambrian plc

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Turnover	3	1,047,187	1,897,528
Cost of Sales	3	(1,045,970)	(1,902,214)
Net revenue		1,217	(4,686)
Investment portfolio gains	3	—	676
Total income		1,217	(4,010)
Administrative expenses	4	(7,256)	(4,742)
Depreciation and impairment expense	10	(23,490)	(435)
Total administrative expenses		(30,746)	(5,177)
Operating loss	4	(29,529)	(9,187)
Finance income		1,479	428
Finance costs	6	(3,094)	(601)
Loss before tax		(31,144)	(9,360)
Taxation	7	6,740	2,339
Loss after tax		(24,404)	(7,021)
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or (loss)</i>			
Exchange profit arising from translation of foreign operations		—	59
Total other comprehensive profit		—	59
Total comprehensive loss		(24,404)	(6,962)
(Loss)/profit attributable to:			
Owners of the parent		(20,709)	(7,324)
Non-controlling interest		(3,695)	303
		(24,404)	(7,021)
Total comprehensive (loss)/profit attributable to:			
Owners of the parent		(20,709)	(7,265)
Non-controlling interest		(3,695)	303
		(24,404)	(6,962)
Earnings per share in USD cents:			
Basic earnings per share	9	(8.57)	(3.87)
Diluted earnings per share	9	(8.57)	(3.87)

The accounting policies and notes set out on pages 22 to 63 form an integral part of these consolidated financial statements.

Ambrian plc
Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital US \$ 000's	Share premium account US \$ 000's	Capital redemption reserve US \$ 000's	Merger relief reserve US \$ 000's	Shares to be issued US \$ 000's	Treasury shares US \$ 000's	Other reserve US \$ 000's	Retained earnings/(losses) US \$ 000's	Share based payments reserve US \$ 000's	Employee benefit trust US \$ 000's	Exchange reserve US \$ 000's	Total equity attributable to the owner of the parent US \$ 000's	Non-controlling interest US \$ 000's	Total equity US \$ 000's
Balance at 31 December 2014	17,665	18,044	—	—	—	(1,986)	—	502	8,052	(11,446)	(1,626)	29,205	(58)	29,147
Arising from the business combination of Consolidated General Minerals (Schweiz) AG	2,455	—	—	26,066	1,477	—	(5,066)	—	—	—	—	24,932	6,944	31,876
Shares issue costs	—	—	—	(1,296)	—	—	—	—	—	—	—	(1,296)	—	(1,296)
Exercise of options	—	—	—	—	—	—	—	—	—	576	—	576	—	576
Redemption of Deferred 9p shares	(15,898)	—	15,898	—	—	—	—	—	—	—	—	—	—	—
Share based payment	—	—	—	—	—	—	86	—	—	—	—	86	—	86
Comprehensive income	—	—	—	—	—	—	—	(7,324)	—	—	—	(7,324)	303	(7,021)
Profit/(loss) for the year	—	—	—	—	—	—	—	(7,324)	—	—	—	(7,324)	303	(7,021)
Foreign currency adjustments	—	—	—	—	—	—	—	—	—	—	59	59	—	59
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	(7,324)	—	—	59	(7,265)	303	(6,962)
Balance at 31 December 2015	4,222	18,044	15,898	24,770	1,477	(1,986)	(4,980)	(6,822)	8,052	(10,870)	(1,567)	46,238	7,189	53,427
Issuance of shares	144	1,534	—	—	(1,477)	—	(201)	—	—	—	—	—	—	—
Share cancellation	(303)	—	—	—	—	—	303	—	—	—	—	—	—	—
Shares awarded to employees	—	—	—	—	—	—	190	—	—	—	—	190	—	190
Exercise of options	—	—	—	—	—	—	—	—	—	7	—	7	—	7
Comprehensive loss	—	—	—	—	—	—	—	(20,709)	—	—	—	(20,709)	(3,695)	(24,404)
Loss for the year	—	—	—	—	—	—	—	(20,709)	—	—	—	(20,709)	(3,695)	(24,404)
Total comprehensive loss for the year	—	—	—	—	—	—	—	(20,709)	—	—	—	(20,709)	(3,695)	(24,404)
Balance at 31 December 2016	4,063	19,578	15,898	24,770	—	(1,986)	(4,688)	(27,531)	8,052	(10,863)	(1,567)	25,726	3,494	29,220

Ambrian plc
Consolidated statement of financial position
at 31 December 2016
The company number is 3172986

	Note	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
ASSETS			
Non-current assets			
Property, plant and equipment	10	54,217	76,036
Deferred tax asset	18	2,184	2,459
		<u>56,401</u>	<u>78,495</u>
Current assets			
Financial assets at fair value through profit or loss	11	150	7,495
Inventory	12	156,215	262,541
Trade and other receivables	13	64,107	60,083
Current tax receivable	7	—	250
Cash and cash equivalents	14	6,693	9,823
Total assets		<u>283,566</u>	<u>418,687</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	(915)	(21,376)
Deferred tax liability	18	(558)	(7,554)
		<u>(1,473)</u>	<u>(28,930)</u>
Current liabilities			
Financial liabilities at fair value through profit or loss	11	(6,074)	(2,675)
Short-term borrowings	15	(171,448)	(225,219)
Short-term liabilities under sale and repurchase agreements	15	(2,667)	(43,745)
Trade and other payables	16	(72,342)	(64,691)
Provisions	17	(323)	—
Current tax payable	7	(19)	—
Total liabilities		<u>(254,346)</u>	<u>(365,260)</u>
Total net assets		<u>29,220</u>	<u>53,427</u>
Capital and reserves			
Share capital	19	4,063	4,222
Share premium	21	19,578	18,044
Capital Redemption reserve	19	15,898	15,898
Merger relief reserve	21	24,770	24,770
Shares to be issued	21	—	1,477
Treasury shares	21	(1,986)	(1,986)
Other reserve	21	(4,688)	(4,980)
Retained (losses)/earnings	21	(27,531)	(6,822)
Employee benefit trust	21	(10,863)	(10,870)
Share-based payments reserve	21	8,052	8,052
Exchange reserve	21	(1,567)	(1,567)
Total equity attributable to the owner of the parent		<u>25,726</u>	<u>46,238</u>
Non-controlling interest	28	3,494	7,189
Total equity		<u>29,220</u>	<u>53,427</u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 June 2017.

M Abbott
Chairman

J M Coles
Finance Director

J. M. Coles
J. M. COLES

The accounting policies and notes set out on pages 22 to 63 form an integral part of these consolidated financial statements.

Ambrian plc
Consolidated statement of cash flows
for the year ended 31 December 2016

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Loss for the year	(24,404)	(7,021)
Adjustments for:		
Depreciation of property, plant and equipment	2,204	435
Finance costs	3,094	601
Impairment of property, plant and equipment	21,286	—
Share-based payment expense	190	72
Foreign exchange losses/(gains)	72	(825)
Taxation expense	(6,740)	(2,339)
Realised gain on financial assets designated at fair value	—	(676)
Decrease in inventories	106,326	67,004
(Increase)/decrease in trade and other receivables	(4,024)	22,377
Unrealised gains/(losses) on financial liabilities at fair value	3,399	(428)
Unrealised gains on financial assets at fair value	7,345	11,115
Increase in trade and other payables	7,974	12,545
Cash generated in operations	116,722	102,860
Taxation received/(paid)	288	(362)
Net cash flow generated in operating activities	117,010	102,498
Investing activities		
Net cash from acquisition of subsidiary undertakings	—	424
Purchase of property, plant and equipment	(1,671)	(8,955)
Net cash used in investing activities	(1,671)	(8,531)
Financing activities		
Share issue costs	—	(1,296)
Interest paid	(2,851)	(601)
Proceeds from issue of convertible loan notes	—	4,121
Proceeds received from the exercise of options in Employee Benefit Trust	—	576
Decrease in long-term borrowings	—	(4,793)
Decrease in short-term liabilities under sale and repurchase agreements	(41,078)	(1,956)
Decrease in short-term borrowings	(74,475)	(89,846)
Net cash (used)/generated in financing activities	(118,404)	(93,795)
Net (decrease)/increase in cash and cash equivalents	(3,065)	172
Cash and cash equivalents at the beginning of the year	9,823	9,661
Effect of foreign exchange rate differences on cash and cash equivalents	(65)	(10)
Cash and cash equivalents at the end of the year	6,693	9,823

The accounting policies and notes set out on pages 22 to 63 form an integral part of these consolidated financial statements.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016

1. Nature of operations

The Group is engaged in physical metals and minerals trading and cement operations, and holds a small number of strategic investments. A full review of the Group's activities is contained in the Chairman's and Chief Executive's statement and the Strategic report on pages 4 to 10.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, as modified by the valuation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in the appropriate application in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 27.

The accounting policies that have been used in the preparation of these consolidated financial statements are described below. The particular accounting policies adopted by the Directors are described below and are unchanged from the previous year unless otherwise stated.

New standards, interpretations and amendments effective

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year.

	<i>Effective date</i>
IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations (amendments)</i>	1 January 2016
IAS 16 & IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation (amendments)</i>	1 January 2016
IAS 16 & IAS 41 <i>Agriculture: Bearer Plants (amendments)</i>	1 January 2016
IAS 27 <i>Equity Method in Separate Financial Statements (amendments)</i>	1 January 2016
IFRSs <i>Amendments – Annual Improvements to IFRSs 2012-2014 Cycle</i>	1 January 2016
IAS 1 <i>Disclosure Initiative: (amendments)</i>	1 January 2016
IFRS 10, 12 <i>Investment Entities: Applying the Consolidation</i>	
& IAS 28 <i>Exception (amendments)</i>	1 January 2016

There was no material impact on the Company from adopting these standards, amendments to standards and interpretations, although additional disclosure applies in certain areas.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these consolidated financial statements. Management is assessing the impact of these on the financial statements.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective date.

The following standards and interpretations are not yet effective:

		<i>Effective date</i>
IAS 7	<i>Disclosure Initiative (amendments)</i>	1 January 2017
IAS 12	<i>Recognition of deferred tax assets for unrealised losses (amendments)</i>	1 January 2017
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 15	<i>Clarifications to revenue from Contracts with Customers</i>	1 January 2018
IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions (amendments)</i>	1 January 2018
IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)</i>	1 January 2018
IFRSs	<i>Annual Improvements to IFRSs (2014-2016 Cycle)</i>	1 January 2018
IFRIC 22	<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IAS 40	<i>Transfers of Investment Property (amendments)</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019

2.2 *Basis of consolidation*

(i) **Subsidiaries and acquisitions**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(ii) **Transactions eliminated on consolidation**

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2.3 *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

2. Accounting policies – continued

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as a liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Financial Instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

These are financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivative assets, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated balance sheet at fair value with gains or losses recognised in the consolidated statement of income.

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

2. Accounting policies – continued

Fair value of securities listed in active markets are determined by current bid prices; where independent prices are not available, fair values have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date.

Accrued income principally represents open sales and purchase contracts which are initially recognised at fair value when the company becomes a party to the contractual provision of the instrument and are subsequently measured to fair value at the end of each reporting period with reference to recognised commodity prices. At the reporting date, ownership of the metals had not transferred to the purchasing counterparty. The effect of measurement of these is presented net in either prepayments and accrued income or accruals and deferred income depending on whether the outcome of measuring these results is gains or losses at the end of each reporting period.

(ii) Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises out-of-the-money derivatives and accruals and deferred income. They are carried in the consolidated statement of financial position at fair value, with changes in fair value recognised in cost of sales of the comprehensive statement of consolidated income. Accruals and deferred income and prepayments and accrued income principally represent open purchase and sales contracts which are initially recognised at fair value when the Company becomes a party to the contractual provision of the instrument and are subsequently measured at fair value, being the London Metal Exchange (LME) value at 17:00 GMT, the end of each reporting period with reference to recognised commodity exchange prices. If at the reporting date, ownership of the metals had not transferred to the Company, the effect of measurement of these is presented net in either accruals and deferred income or prepayments and accrued income depending on whether the outcome of measuring results is in gains or losses at the end of each reporting period.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

(ii) Financial liabilities measured at amortised cost

All other financial liabilities include the following items:

- Trade and other payables;
- Long-term borrowings;
- Short-term borrowings; and
- Short-term liabilities under sale and repurchase agreements.

All of the above are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Fair value measurement hierarchy

IFRS 13 requires certain disclosures which require a classification of financial assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the financial asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measured. Financial assets and liabilities are classified in their entirety into only one of the three levels.

2.5 **Turnover and Cost of sales**

Turnover is the gross revenues generated from all business activities except for the investment portfolio. Turnover represents the gross sales invoices of the physical metals division and cement business.

Cost of sales are:

- The direct costs associated with sales of the physical metals division and include such purchases of metals, freight and other costs directly related to sales, including finance charges.
- The direct costs associated with sales of cement and concrete and include such purchases of raw materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

2.6 *Total income*

Revenue is recognised when it is probable that the economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue recognition in the physical metals business:

- Revenue is recognised on an accruals basis. It is recognised when the seller has transferred to the buyer the necessary legal documents that indicate that significant risks and rewards of ownership have transferred. This is usually on delivery. In most instances, this is evidenced by a bill of lading, legal documents or holding certificate.
- In certain instances, there are contracts where the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to movements in market prices up to the date of final pricing. Revenue on provisionally priced sales is recognised based on the total expected value of the sales contract. This is determined by assessing the fair value of sales contracts. The change in the value of the sales contract is offset in the revenue line by the gain/(loss) that arises from the LME futures position associated with the provisional pricing of the sales contract.

Revenue recognition in the cement business:

- Revenue is recognised on an accruals basis. It is recognised when the seller has transferred to the buyer the significant risks and rewards of ownership usually defined by the date when the customers receive the goods normally evidenced by a delivery note.

Total income is revenue defined as above and investment portfolio gains and losses.

2.7 *Foreign currencies*

The Group's presentation currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates. Physical metals and minerals are generally traded by reference to its pricing in US Dollars.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

2.8 *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group Company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.9 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. The cost of the item also includes the cost of decommissioning any buildings or plant and equipment and making good the site, where a present obligation exists to undertake the restoration work. Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

- Plant and Equipment – over 5 to 25 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

In accordance with its policy, the Company reviews the depreciation methodology of its fixed assets on an ongoing basis. This review indicated that the methodology which best represents the expected pattern of consumption of the future economic benefits embodied in the asset is the straight line basis.

Land is stated at cost and is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement.

Borrowing costs are capitalised when they are directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs capitalised during the year were charged at a rate between 5% and 7.5%.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

2.10 *Pensions*

The Group contributes to the private pension scheme of two Directors. The assets of the scheme are held separately from that of the Group. Contributions are charged in the consolidated statement of comprehensive income as incurred in line with a defined contribution scheme.

2.11 *Share-based payment – transactions*

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to share-based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

2.12 *Inventories*

Inventories comprise of:

Commodity contracts

Inventory relates to commodity contracts where delivery has been taken of the underlying commodity with the intention of resale within a short period after delivery. Inventory is held at fair value less costs to sell. Any changes in fair value less costs to sell are recognised in the consolidated statement of comprehensive income in the period of the change.

Cement operations

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average cost basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

2.13 *Sale and repurchase agreements*

Inventory may be sold subject to a commitment to repurchase them (a repo). Such inventory is retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group. The transactions are treated as collateralised borrowing and the counterparty liability is presented separately on the balance sheet as short-term liabilities under sale and repurchase agreements. The net of the repo transaction is recognised as a finance cost within cost of sales.

2.14 *Equity*

Called up share capital is determined using the nominal value of shares that have been issued.

Share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium account, net of any related income tax benefits.

Equity-settled share-based employee remuneration is credited to the share-based payment reserve until related stock options are exercised.

The cost of own shares purchased under the Employee Benefit Trust is debited to the reserve for Employee Benefit Trust and the proceeds of any sales of such shares are credited to this reserve.

The costs of purchasing treasury shares are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated statement of comprehensive income.

The merger reserve is the difference between the fair value of new shares issued on acquisition of CGM in 2015 and the nominal value.

The costs of parent entity shares acquired, as a result of the merger in 2015 are debited to Other reserves.

The exchange reserve reflects the cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.

Retained earnings include all current and prior period results as disclosed in the consolidated statement of comprehensive income.

2.15 *Employee Benefit Trust*

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised in the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated statement of comprehensive income.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

2. Accounting policies – *continued*

2.16 *Convertible notes*

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.17 *Operating leases*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

2.18 *Segmental reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Executive Committee and the management team for the relevant business segment. The Executive Committee comprises the Chairman and Managing Director of Ambrian Metals Limited, the Chief Executive, the Finance Director and the Chief Operating Officer.

2.19 *Disposal of assets*

The gain or loss on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income. The gain or loss arising from the sale of fixed assets is included in administrative expenses in the consolidated statement of comprehensive income.

2.20 *Non-controlling interests*

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

3. Segmental analysis

The Group has three reportable segments attributable to its continuing operations including Head office:

- Physical metals and minerals trading
- Cement operations
- Head office costs relate to overheads incurred in connection with operating the public limited company, providing support functions to the Group.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

3. Segmental analysis – continued

The Investment portfolio segment has become insignificant during the year but is shown for comparative purposes. The measurement of the segmental revenue, profit before tax, capital expenditure, depreciation, total assets, total liabilities and net assets have been prepared using consistent accounting policies across the segments. These policies are disclosed in note 2.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chief Executive, Chief Operating Officer and the Finance Director.

	Trading 2016 US \$ 000's	Cement Operations 2016 US \$ 000's	Investment Portfolio 2016 US \$ 000's	Head office costs 2016 US \$ 000's	Total 2016 US \$ 000's
Turnover	1,037,175	10,012	—	—	1,047,187
Cost of sales	(1,036,773)	(9,197)	—	—	(1,045,970)
Gross margin	402	815	—	—	1,217
Administrative expenses	(1,628)	(1,063)	—	(30)	(2,721)
Employment costs	(2,455)	(1,012)	—	(1,068)	(4,535)
EBITDA	(3,681)	(1,260)	—	(1,098)	(6,039)
Depreciation and impairment expense					(23,490)
Finance income					1,479
Finance cost					(3,094)
Loss before tax					(31,144)
	Trading 2015 US \$ 000's	Cement Operations 2015 US \$ 000's	Investment Portfolio 2015 US \$ 000's	Head office costs 2015 US \$ 000's	Total 2015 US \$ 000's
Turnover	1,895,451	2,077	—	—	1,897,528
Cost of sales	(1,900,327)	(1,887)	—	—	(1,902,214)
Revenue	—	—	676	—	676
Gross margin	(4,876)	190	676	—	(4,010)
Administrative expenses	(1,753)	1,406	—	(1,087)	(1,434)
Employment costs	(2,196)	(37)	—	(1,075)	(3,308)
EBITDA	(8,825)	1,559	676	(2,162)	(8,752)
Depreciation and impairment expense					(435)
Finance income					428
Finance cost					(601)
Loss before tax					(9,360)

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

3. Segmental analysis – continued

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Loss before tax		
Trading	(3,977)	(8,917)
Cement operations	(27,024)	669
Investment portfolio	—	676
Head office costs	(143)	(1,788)
	<u>(31,144)</u>	<u>(9,360)</u>

Geographical split of Total income for the Group where > 10% per region

	Year to 31 December 2016 US \$ 000's Turnover	Year to 31 December 2015 US \$ 000's Turnover
Eastern Asia	535,923	1,035,593
Western Asia	313,312	533,706
Other	197,952	328,229

Major customers of the Group where individually > 10% of Total income

	Year to 31 December 2016 US \$ 000's Customer	Year to 31 December 2015 US \$ 000's Customer
Customer A (attributable to Trading segment)	97,387	302,002
Other	949,800	1,595,526

Investment portfolio represents:

Unrealised gains on financial assets
designated at fair value

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
	—	676
	<u>—</u>	<u>676</u>

Depreciation and impairment expense

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Trading	294	93
Cement operations	23,196	342
Investment portfolio	—	—
Head office	—	—
	<u>23,490</u>	<u>435</u>

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

3. Segmental analysis – continued

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Non-current assets by country		
Mozambique	56,285	76,161
United Kingdom	109	2,328
China	7	6
	<u>56,401</u>	<u>78,495</u>
	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Total assets		
Trading	219,869	336,194
Cement operations	63,237	82,170
Investment portfolio	150	179
Head office	310	144
	<u>283,566</u>	<u>418,687</u>
Total liabilities		
Trading	217,034	322,863
Cement operations	35,437	28,538
Investment portfolio	—	—
Head office	1,875	3,859
	<u>254,346</u>	<u>365,260</u>

4. Profit before tax and auditors' remuneration

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Relating to operations:		
Profit before tax, all of which arises from the Group's principal activities, is stated after charging/(crediting):		
– fees payable to the Group's auditor for the audit of the Group's annual financial statements	31	23
– fees payable for the audit of subsidiary company accounts	122	227
– fees payable for the interim review	25	15
Depreciation of property, plant and equipment	2,204	435
Impairment of property, plant and equipment	21,286	—
Operating lease rentals – land and buildings	217	349
Finance cost (included in Cost of sales)	4,269	6,735
Exchange losses/(gains)	124	(825)
Inventory included in expenses	1,045,970	1,902,214
Interest income (included in Net revenue)	<u>(18)</u>	<u>(7)</u>

Included in the auditors' fees above are \$16,760 (31 December 2015: \$26,740) related to associate firms of BDO LLP.

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

5. Information regarding Directors and Employees

	Year to 31 December 2016	Year to 31 December 2015
<i>Number of Employees</i>		
The average monthly number of employees (including Directors) during the year was:	117	71
	US \$ 000's	US \$ 000's

Employment costs

Salaries and bonuses	3,525	2,710
Social security costs associated with salaries and bonuses	320	451
Defined contribution pension costs	139	75
Redundancy costs	361	—
Share-based payment	190	72
	<u>4,535</u>	<u>3,308</u>

	Salary/ Fees US \$ 000's	Other US \$ 000's	Stock award US \$ 000's	Bonus US \$ 000's	Pension US \$ 000's	2016 Total US \$ 000's
<i>Directors' emoluments 2016</i>						
M Abbott	51	—	—	—	—	51
R Adair	57	14	—	—	—	71
J M Coles*	186	—	—	—	9	195
J P Conrad	183	—	—	—	60	243
C Davies	34	—	—	—	—	34
N F Rouveyre	34	134	—	—	—	168
	<u>545</u>	<u>148</u>	<u>—</u>	<u>—</u>	<u>69</u>	<u>762</u>

	Salary/ Fees US \$ 000's	Other US \$ 000's	Stock award US \$ 000's	Bonus US \$ 000's	Pension US \$ 000's	2015 Total US \$ 000's
<i>Directors' emoluments 2015</i>						
M Abbott	9	—	—	—	—	9
R Adair	74	—	—	—	—	74
R F Clegg	99	—	36	37	5	177
J M Coles*	213	—	36	36	11	296
J P Conrad	177	—	—	—	19	196
C Davies	8	—	—	—	—	8
K J Lyon	20	46	—	—	—	66
E Marlow	40	—	—	—	—	40
N F Rouveyre	38	152	—	—	—	190
	<u>678</u>	<u>198</u>	<u>72</u>	<u>73</u>	<u>35</u>	<u>1,056</u>

* Denotes the highest paid Director

The remuneration for Mr R Adair relates to the period from 1 January 2016 to the date of his resignation on 20 July 2016.

The 2015 remuneration for Mr M Abbott relates to the period of his appointment on 9 October 2015 to 31 December 2015.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

5. Information regarding Directors and Employees – *continued*

The 2015 remuneration for Mr R Adair relates to the period of his appointment on 26 March 2015 to 31 December 2015.

The remuneration for Mr R F Clegg relates to the period from 1 January 2015 to the date of his resignation on 7 July 2015.

The 2015 remuneration for Mr J P Conrad relates to the period of his appointment on 26 March 2015 to 31 December 2015.

The 2015 remuneration for Mr C Davies relates to the period of his appointment on 16 October 2015 to 31 December 2015.

The remuneration for Mr K J Lyon relates to the period from 1 January 2015 to the date of his resignation on 7 July 2015. Mr K J Lyon's other fees were derived from consulting services provided to Ambrian plc, relating to the merger in 2015.

The remuneration for Mr E Marlow relates to the period from 1 January 2015 to the date of his resignation on 30 September 2015.

Mr N F Rouveyre's other remuneration of \$134,491 was derived from executive management services provided to Ambrian (Singapore) Pte Ltd. (2015: \$152,540).

6. Net finance costs

Finance costs are comprised of the following:

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Interest on convertible loan notes	627	111
IDC interest	1,538	297
Bank interest	929	193
	<u>3,094</u>	<u>601</u>

Finance income of \$1,479,000 (2015: \$428,000) is from the change in the fair value of the financial liability arising from the convertible loan note which decreased in value.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

7. Taxation

The tax provision for the period is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.5%). The deferred tax charge resulting from the origination and reversal of temporary differences on losses brought forward includes adjustments reflecting the reduction in the rate of corporation tax. The differences are explained as follows:

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Current tax expense	—	(113)
Overseas taxation	(36)	314
Deferred tax resulting from the origination and reversal of temporary differences:		
– on losses brought forward	(215)	(2,412)
– on timing differences	505	—
– on fair value adjustments	(6,994)	—
– on deferred relief on bonuses	—	(128)
	<u>(6,740)</u>	<u>(2,339)</u>
<i>Reconciliation of taxation expense:</i>		
(Loss) before tax	(31,144)	(9,360)
UK corporation tax on profit for the year at 20% (2015: 20.25%)	(6,229)	(1,895)
Expenses not deductible for tax purposes	120	134
Other adjustments	(351)	(56)
Adjustments in respect of prior years	(57)	63
Losses carried forward	—	(774)
Difference in tax rates for overseas taxation	(3,262)	61
Deferred tax not provided on losses not recoverable	3,039	128
	<u>(6,740)</u>	<u>(2,339)</u>

8. Metals Trading Business

In October 2016, the Group decided to close the metals trading business with a gradual run-down of all open contracts. The segment was not technically a discontinued operation or classified as held-for-sale at 31 December 2016 and therefore no reclassifications have been made in the financial statements. The disclosure below shows the statement of comprehensive income of the metals trading business included in the consolidated statement of comprehensive income.

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

8. Metals Trading Business – continued

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Turnover	1,037,175	1,895,451
Cost of sales	(1,036,773)	(1,900,327)
Net revenue	402	(4,876)
Administrative expenses	(4,379)	(4,041)
Operating loss	(3,977)	(8,917)
Finance income	—	—
Finance costs	—	—
Loss before tax	(3,977)	(8,917)
Taxation	(1,964)	1,843
Loss for the year	(5,941)	(7,074)

The loss from the metals trading business of \$5,941,000 (2015: loss \$7,074,000) is attributable entirely to the owners of the Company. Once the metals trading business has been run-down, the financial position of the Group should be as follows:

	As at 31 December 2016 US \$ 000's
ASSETS	
Non-current assets	
Property, plant and equipment	54,102
Deferred tax asset	2,184
	<u>56,286</u>
Current assets	
Inventory	2,997
Trade and other receivables	3,513
Cash and cash equivalents	3,692
Total assets	<u>66,488</u>
LIABILITIES	
Non-current liabilities	
Long-term borrowings	(915)
Deferred tax liability	(558)
	<u>(1,473)</u>
Current liabilities	
Financial liabilities at fair value through profit or loss	(801)
Short-term borrowings	(29,053)
Trade and other payables	(5,920)
Current tax payable	(21)
Total liabilities	<u>(37,268)</u>
Total net assets	<u>29,220</u>

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

9. Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding shares held in the Employee Benefit Trust at 31 December 2016 of 6,259,046 (2015: 6,259,046), Treasury shares at 31 December 2016 of 4,500,058 (2015: 4,500,058) and Non-treasury shares at 31 December 2016 of 8,484,466 (2015: 28,812,192).

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares through the share option schemes (note 20) on the assumed conversion of all dilutive options.

Reconciliations of the earnings and weighted average number of shares in the calculations are set out below. Diluted earnings per share has not been calculated as the Company is loss making. The loss attributable to the owners of the Company used in the calculation below is that presented in the consolidated statement of comprehensive income.

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Loss attributable to shareholders	(20,709)	(7,324)
Diluted loss attributable to shareholders	(20,709)	(7,324)
Weighted average number of shares	241,673,620	189,044,366
Dilutive effect of convertible loan notes and warrants	66,675,000	66,675,000
Basic earnings per share US \$ cents	(8.57)	(3.87)
Diluted earnings per share US \$ cents	(8.57)	(3.87)

10. Property, plant and equipment

	Land US \$ 000's	Plant and Equipment US \$ 000's	Motor Vehicles US \$ 000's	Office Equipment US \$ 000's	Total US \$ 000's
Cost					
At 1 January 2015	—	—	—	488	488
Additions	—	8,652	188	115	8,955
Acquired through business combinations	768	66,140	166	—	67,074
At 1 January 2016	768	74,792	354	603	76,517
Additions	—	1,626	13	32	1,671
Balance at 31 December 2016	<u>768</u>	<u>76,418</u>	<u>367</u>	<u>635</u>	<u>78,188</u>

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

10. Property, plant and equipment – continued

	Land US \$ 000's	Plant and Equipment US \$ 000's	Motor Vehicles US \$ 000's	Office Equipment US \$ 000's	Total US \$ 000's
<i>Depreciation and impairment</i>					
At 1 January 2015	—	—	—	46	46
Depreciation for the year	—	310	6	119	435
At 1 January 2016	—	310	6	165	481
Depreciation for the year	—	2,020	73	111	2,204
Impairment for the year	—	21,086	—	200	21,286
Balance at 31 December 2016	—	23,416	79	476	23,971
<i>Net book value</i>					
At 31 December 2016	768	53,002	288	159	54,217
At 1 January 2016	768	74,482	348	438	76,036
At 1 January 2015	—	—	—	442	442

Property, plant and equipment of \$54,101,406 (2015: \$74,949,771) are pledged as security for bank borrowings.

As a result of financial performance during the year, management has performed an impairment assessment for property, plant and equipment and have recognised an impairment of \$21,286,000 for the year (2015: nil). The factors that were reviewed in making this assessment include future expected cashflows from the cement plant, exchange rates, discount rates and the expected terminal value of the plant. The recoverable amount of the cash generating unit has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 31 December 2021. Other major assumptions whose change in the period impacted the impairment are as follows:

	As at 31 December 2016	As at 31 December 2015
Discount rate	17.76%	15.18%
Terminal value	\$56 million	\$64 million
Exchange rate (Mozambican New Metical to US Dollar)	MZN70 : \$1	MZN45 : \$1

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

11. Financial assets and liabilities at fair value through profit or loss

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Financial assets at fair value through profit and loss – derivatives	—	7,316
Investments:		
Unlisted investments	150	179
	<u>150</u>	<u>7,495</u>
Financial liabilities at fair value through profit and loss		
– convertible loan derivatives	(801)	(2,675)
Financial liabilities at fair value through profit and loss		
– derivatives	(5,273)	—
	<u>(6,074)</u>	<u>(2,675)</u>

All amounts presented in respect of unlisted securities have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This determination requires significant judgment in determining changes to fair value since the last valuation date. In making this judgment the Board evaluates, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies and the most recent fund raise achieved by the investee company.

Financial assets/(liabilities) at fair value through profit or loss – derivatives represent commodity futures. These are used to hedge inventory of metals, and purchases and sales of metals. Hedges take into account both contango and backwardation market conditions and are marked to market at the year-end closing price.

Financial liabilities at fair value through profit or loss represent convertible loan derivatives in respect of warrants and an embedded derivative in relation to the convertible loan notes in Ambrian plc which are denominated in Pounds Sterling. Refer to note 15 for further details.

12. Inventory

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Physical metals	153,218	260,409
Cement operations:		
– Raw materials	2,648	1,744
– Finished goods	349	388
	<u>156,215</u>	<u>262,541</u>

Inventory represents:

- A combination of physical metals in warehouses and afloat. Metals inventory includes stock held under sale and repurchase agreements amounting to \$2,667,006 (2015: \$43,745,437). There were no write downs in inventory during the year;
- Raw materials including gypsum, clinker and limestone used in the manufacturing of cement;
- Finished cement product.

Physical metals inventory of \$150,669,425 (2015: \$216,663,764) are provided as security for short term borrowings.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

13. Trade and other receivables

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Amounts falling due within one year		
Trade receivables	60,935	56,014
Other receivables	532	738
Prepayments and accrued income	798	477
Other taxes and social security	1,842	2,854
	<u>64,107</u>	<u>60,083</u>

The carrying value of trade receivables which is considered a reasonable approximation of fair value, includes amounts greater than three months' but not more than one year past due of \$264,024 (2015: \$81,000). All amounts past due included in the carrying value are considered recoverable.

Accordingly, no provision is made for impairment of these trade receivables.

Prepayments and accrued income principally represent open sales and purchase contracts that had been contracted but not paid for at the reporting date and are held at fair value. At the reporting date, ownership of the metals had not transferred to the purchasing counterparty. The effect of measurement of these is presented net in prepayments and accrued income.

14. Cash and cash equivalents

Within cash and cash equivalents there is restricted cash of \$3,316,805 (2015: \$3,549,285). The residual is deposits held with banks and brokers in the metals trading business to cover any potential adverse market price movements.

15. Borrowings

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Non-current liabilities		
Financial liability at amortised cost – Convertible loan note	915	880
Industrial Development Corporation ("IDC") loans	—	20,496
	<u>915</u>	<u>21,376</u>
Current liabilities		
Short-term borrowings	142,392	219,172
Overdraft facilities	5,238	2,933
Current portion of IDC loans	23,818	3,114
	<u>171,448</u>	<u>225,219</u>
	<u>172,363</u>	<u>246,595</u>

- a) Short term borrowings are secured upon physical metals inventory of \$150,669,425 (2015: \$216,663,764) and trade and other receivables of \$60,040,777 (2015: \$55,666,970)

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

15. Borrowings – *continued*

b) Overdraft facilities:

Cimentos da Beira ("CdB"), a subsidiary of Ambrian plc, has two overdraft facilities, with an aggregate utilisation of \$5,237,622 (2015: three overdraft facilities for \$2,933,000). The terms and conditions of the facilities are as follows:

African Banking Corporation

- Facility limit of MZN 90,000,000 (equivalent to \$1,263,513), with utilisation of \$412,596 as at 31 December 2016 (2015: facility limit of MZN 90,000,000 equivalent to \$1,920,000 with utilisation of \$1,756,000).
- Interest for the first 12 months is fixed at 29.25% (2015: 16%), plus 10% in the event of default or other interest or fees that may eventually be applied due to changes permitted legally or administratively.
- The facility is subject to non-financial covenants. The Company has complied with all covenants.
- The loan is secured as follows:
 - Second rank promissory mortgage bond over immovable assets of CdB;
 - Limited guarantee issued by the ultimate parent company for \$3 million

Banco Internacional de Moçambique ("BIM")

- Working Capital Facility limit of MZN 346,000,000 (equivalent to \$4,857,504), with utilisation of \$4,825,026 as at 31 December 2016 (2015: facility limit of \$6,000,000 with utilisation of \$611,000).
- Interest at the MZN prime lending rate as published by BIM from time to time plus 0.5% margin per annum.
- The facility is subject to non-financial covenants. The Company has complied with all covenants.
- The loan is secured as follows:
 - Second rank mortgage bond over immovable assets of CdB; and
 - Comfort letter provided by the ultimate parent company

First National Bank

- This facility was withdrawn in the current year. In 2015, the facility limit was MZN 30,000,000 (equivalent to \$640,000), with utilisation of \$565,000 as at 31 December 2015.

c) Industrial Development Corporation ("IDC") loans consist of the following loans:

i) IDC senior term loans

First tranche term loan of \$13,500,000

In connection with funding the construction of the cement mill in Beira, Mozambique, CdB obtained, from the IDC, a loan facility of \$13,500,000, which was fully drawn down.

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Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

15. Borrowings – continued

Terms and conditions of the loan are as follows:

- Interest of LIBOR plus 5% margin per annum.
- Repayable in equal monthly instalments from April 2016 to 2020.
- Interest up to 30 November 2015 has been capitalised to the loan balance per above.
- The loan is subject to covenants, including financial covenants in the form of an adjusted equity to total assets ratio for CdB. CdB has complied with all covenants.
- The loan is secured as follows:
 - First ranking mortgage bond over immovable assets of CdB;
 - First ranking general notarial bond over the movable assets of CdB for the amount of \$16.8 million;
 - First ranking special notarial bond over all assets of CdB other than immovable and movable assets for the amount of \$16.8 million;
 - Cession of CdB's licenses, approvals, permits, intellectual property and EPCM Agreement; and
 - Limited guarantee issued by the ultimate parent company for \$16.8 million.

Second tranche term loan of \$5,500,000

In connection with funding the construction of the cement mill in Beira, Mozambique, CdB obtained an additional senior loan facility in December 2014 from the IDC of \$5,500,000, which was fully drawn down.

Terms and conditions of the loan are as follows:

- Interest of LIBOR plus 7% margin per annum.
- Repayable in equal monthly instalments from April 2016 to 2020.
- Interest up to 30 November 2015 has been capitalised to the loan balance per above.
- The loan is subject to covenants, including financial covenants in the form of an adjusted equity to total assets ratio for CdB. CdB has complied with all covenants.
- The loan is secured as follows:
 - First ranking mortgage bond over immovable assets of CdB;
 - First ranking general notarial bond over the movable assets of CdB for the amount of \$5.8 million;
 - First ranking special notarial bond over all assets of CdB other than immovable and movable assets for the amount of \$5.8 million;
 - Cession of the CdB's licenses, approvals, permits, intellectual property and EPCM Agreement; and
 - Limited guarantee issued by the ultimate parent company for \$5.8 million.

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Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

ii) IDC convertible loan

Terms and conditions of the loan are as follows:

In connection with funding the construction of the cement mill in Beira, Mozambique, CdB obtained, from IDC, a \$3,000,000 junior convertible loan, increased to \$4,000,000 in December 2014. The convertible loan is interest free and can be converted by IDC into a 20% equity interest in CdB provided conversion does not occur later than the date that is six months after the term loans granted by IDC to CdB have been repaid in full, i.e. 31 December 2022 and that both parties have mutually agreed to the final terms of conversion. Should IDC decide to convert into equity of CdB, CdB will issue in favour of IDC a 20% equity interest in the subsidiary.

The convertible loan is secured by the same securities as the IDC term loans mentioned above under c).i).

The value of the liability component and the equity conversion component were determined at the date the instrument was issued. A non-controlling interest of 20% in CdB has been recorded in respect of the above loan.

At the reporting date both term loans had been fully drawn down. As noted above, these loans are repayable in 60 equal monthly instalments from April 2016 onwards. No repayments of the loans had been made by CdB as at the date of publication of the Group's annual report as at 31 December 2016. As a result, at the reporting date, CdB was in default under the existing term loan agreements with the IDC. There are ongoing negotiations between CdB and the IDC regarding deferral of the repayment of the term loans. Although the negotiations have progressed well, at the date of publication of the Group's annual report as at 31 December 2016, approvals, final documentation and conditions precedent were still outstanding. The Group is therefore required to categorise all liabilities with the IDC as Current Liabilities, which would normally be reported as Non-Current Liabilities.

d) Convertible loan note:

In October 2015, Ambrian plc issued 26,670 notes of 10% convertible loans at a face value of £100 each. The loan notes are unsecured and repayable on 16 October 2019 or can be converted at any time into shares at the holder's option at the rate of 1 share per £0.0861 of the loan. The value of the financial liability component and the derivative component were determined at the date the instrument was issued. Refer to note 11 for the derivative component.

As part of the issuance of these convertible loan notes, 33,337,500 warrants were issued to the loan note holders which are convertible into Ordinary shares at an exercise price of £0.0108 per share. Refer to note 27 for details on the valuation of these derivatives.

The key market observable inputs used in the valuation of these derivatives are as follows:

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Share price	2.250 p	4.875 p
Share price volatility	40.34%	30.86%
Risk free rate	10.00%	10.00%
	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Short-term liabilities under sale and repurchase agreements	<u>2,667</u>	<u>43,745</u>

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

16. Trade and other payables

Accruals and deferred income principally represent open purchases of metals that have been contracted for but not paid for at the reporting date, and are held at fair value. These are not classified as trade payables as the final price of the physical metals may not have been determined and ownership has not transferred to the Group.

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Amounts falling due within one year		
Trade payables	28,428	18,307
Other payables	559	297
Other taxation and social security	65	142
Accruals and deferred income	43,290	45,945
	<u>72,342</u>	<u>64,691</u>

17. Provisions

Provisions represent a restructuring provision as a result of the Group's decision (refer to note 8) to close the Metals Trading business with a gradual run-down of all relevant contracts. The provision represents management's best estimate with regards to the period of time and resources required to run-down all relevant contracts.

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Opening balance	—	—
Provision for the period	323	—
Closing balance	<u>323</u>	<u>—</u>

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Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

18. Deferred taxation

Deferred tax assets/(liabilities) represent temporary differences on:

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Deferred tax on revaluation of property, plant and equipment	(558)	(7,554)
Deferred tax on losses carried forward	2,184	2,412
Deferred tax on bonus liability	—	47
	<u>1,626</u>	<u>(5,095)</u>
Movement in the year:		
Balance at 1 January	(5,095)	252
Origination and reversal of temporary differences		
– on recognition/(release) of deferred tax loss carried forward	(1,927)	2,412
– recognised on business combinations	—	(7,582)
– change to exchange rates	—	14
– provision for the year	8,648	(191)
Balance at 31 December	<u>1,626</u>	<u>(5,095)</u>

The Company's subsidiary, Cimentos de Beira ("CdB"), has historic tax losses which can be utilised in future years to reduce the income tax liability that will be assessed on future profits. CdB is forecasting to make taxable profits in 2017 and it is now considered that there is reasonable certainty that CdB will be able to use its historic losses against those profits going forward, so the Group is recognising a deferred tax asset for the first time in the current year.

The deferred tax asset has been recognised in the financial statements only to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which this asset may be recovered.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

19. Share capital

	2016 Number	2015 Number
Authorised		
Ordinary shares of 1p each	424,727,841	424,727,841
Deferred shares of 9p each	—	111,361,208
	<u>Number</u>	<u>US \$ 000's</u>
Called up, allotted and fully paid		
<i>Ordinary shares of 1p each (2015: 1p)</i>		
At 1 January 2015 and 31 December 2015	276,381,948	111,361,208
Shares issued during the year	9,707,102	—
Shares cancelled	(20,388,179)	—
Shares issued arising from business combination of Consolidated General Minerals (Schweiz) AG	—	165,020,740
At 31 December 2016	<u>265,700,871</u>	<u>276,381,948</u>
	<u>Number</u>	<u>Number</u>
<i>Deferred shares of 9p each</i>		
At 1 January	—	—
Subdivision of shares	—	111,361,208
Redemption of Deferred shares	—	(111,361,208)
At 31 December 2016	<u>—</u>	<u>—</u>
	<u>2016 Number</u>	<u>2015 Number</u>
Shares to be issued		
<i>Convertible Securities</i>		
Second Tranche Deferred Convertible Securities	9,707,102	9,707,102
Less: Portion to be issued to Ambrian plc	—	(1,160,454)
Shares issued	<u>(9,707,102)</u>	<u>—</u>
	<u>—</u>	<u>8,546,648</u>

All Deferred shares held during the year were redeemed on 18 November 2015.

The Group held shares in the Employee Benefit Trust on 31 December 2016 of 6,259,046 (2015: 6,259,046), Treasury shares on 31 December 2016 of 4,500,058 (2015: 4,500,058) and Non-treasury shares on 31 December 2016 of 8,484,466 (2015: 28,812,192). 20,388,179 Non-treasury shares held by Ambrian plc were cancelled on 21 September 2016.

The Second Tranche Deferred Convertible Securities were converted into ordinary shares on 1 July 2016.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

20. Share options

The Company has an unapproved share option scheme under which options to subscribe for the Company's shares have been granted to certain Directors and other persons. The vesting condition is the number of years' service.

There are no share options currently in existence.

The number and weighted average exercise prices of share options are as follows:

	<i>Weighted average exercise price in pence 2016</i>	<i>Number of options 2016</i>	<i>Weighted average exercise price in pence 2015</i>	<i>Number of options 2015</i>
Outstanding at 1 January	27	1,875,000	27	1,875,000
Forfeited during the year	(27)	(1,875,000)	—	—
Outstanding at 31 December	—	—	27	1,875,000
Exercisable at 31 December	—	—	27	1,875,000

The Company also has an Employee Benefit Trust unapproved share option scheme under which options to subscribe for the Company's shares have been granted to staff. Directors of Ambrian plc are not eligible for awards under this scheme. Options are generally granted at 10 pence per ordinary share and the vesting condition is the number of years of service. The share options currently in existence were granted and are exercisable as follows:

<i>Exercise date granted</i>	<i>Price</i>	<i>Number of shares</i>	<i>Period exercisable</i>
31-Jan-07	10p	44,444	Between 31 January 2008 and 31 January 2017
23-May-07	10p	100,000	Between 23 May 2008 and 23 May 2017
18-Jan-08	10p	62,500	Between 18 January 2009 and 18 January 2018
		<u>206,944</u>	

	<i>Exercise price in pence 2016</i>	<i>Number of options 2016</i>	<i>Exercise price in pence 2015</i>	<i>Number of options 2015</i>
Outstanding at 1 January	10	470,277	10	1,170,277
Forfeited during the year	10	(263,333)	10	(700,000)
Outstanding at 31 December	10	206,944	10	470,277
Exercisable at 31 December	10	206,944	10	470,277

The share-based payment charge relating to the share options granted to the EBT amounted to \$nil (2015: \$nil).

The share-based payment for the year relates to shares awarded to employees of the Group in recognition of services provided during the year. The value of the shares awarded was based on the prevailing market price at the time of the award.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

21. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amount as a result of the redemption of Deferred Shares and Special Deferred Shares.
Merger relief reserve	Under merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. Any difference between the cost of investment and the nominal value of the share capital acquired is put to a merger reserve.
Shares to be issued	Shares for which consideration was received in 2015 but which were not issued then. These were issued in 2016.
Treasury shares	Amounts reflecting the costs of purchasing own shares held as treasury shares.
Other reserves	Amounts reflecting the value of shares held by Ambrian plc in itself as a result of the merger with CGM in 2015. These shares are held as Non-treasury shares and are required by law to be sold in the future.
Retained (losses)/earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Employee Benefit Trust	Amounts reflecting the costs of purchasing own shares held by the Employee Benefit Trust.
Share-based payments reserve	All equity-settled share-based payments are recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to share-based payment reserve.
Exchange reserve	Losses arising on retranslating the net assets of overseas operations into US Dollars.

22. Operating lease commitments

At 31 December 2016 the total of future minimum commitments is due as follows:

	2016 US \$ 000's	2015 US \$ 000's
Commitments falling due:		
Within one year	311	384
Between one year and five years	344	728
	<u>655</u>	<u>1,112</u>

Lease commitments relate to office premises.

23. Capital commitments

There were no capital commitments as at 31 December 2016 (2015: \$nil).

24. Contingent Liabilities

There were no contingent liabilities as at 31 December 2016 (2015: \$nil).

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

25. Transactions with related parties

Details of transactions with the Group's key management personnel, who comprise the Directors, are given in note 5. Intra-group transactions and balances are eliminated on consolidation.

A subsidiary of the Company, Ambrian Resources AG, has the only related party outstanding balance at year end with Minestream, a company owned by two of the directors of the Group, totaling \$5,957 (2015: \$6,052).

26. Financial instruments – Risk management

Principal financial instruments

A summary of the financial instruments held by category is provided below:

	Loans and Receivables at amortised cost 2016 US \$ 000's	At fair value through profit or loss 2016 US \$ 000's	Total 2016 US \$ 000's
Financial assets			
Cash and cash equivalents	6,693	—	6,693
Trade receivables – current	60,935	—	60,935
Other receivables – current	532	—	532
Financial assets at fair value through profit or loss – equities	—	150	150
Total	68,160	150	68,310
	Loans and Receivables at amortised cost 2015 US \$ 000's	At fair value through profit or loss 2015 US \$ 000's	Total 2015 US \$ 000's
Financial assets			
Cash and cash equivalents	9,823	—	9,823
Trade receivables – current	56,014	—	56,014
Other receivables – current	738	—	738
Financial assets at fair value through profit or loss – equities	—	179	179
Financial assets at fair value through profit or loss – derivatives	—	7,316	7,316
Total	66,575	7,495	74,070

A certain amount of the cash and cash equivalents is held as collateral by third party banks as disclosed in note 14. Trade receivables, current of \$60,040,777 (2015: \$55,666,970) were pledged as collateral against short term borrowings as disclosed in note 15.

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

	Trade and other payables at amortised cost 2016 US \$ 000's	At fair value through profit or loss 2016 US \$ 000's	Total 2016 US \$ 000's
Financial liabilities			
Trade payables	28,428	—	28,428
Other payables – current	882	—	882
Long-term borrowings	915	—	915
Short-term borrowings	171,448	—	171,448
Accruals and deferred income	981	42,309	43,290
Short-term liabilities under sale and repurchase agreements	2,667	—	2,667
Financial liabilities at fair value through profit or loss – derivatives	—	5,273	5,273
Financial liabilities at fair value through profit or loss – convertible loan derivatives	—	801	801
Total	205,321	48,383	253,704
	Trade and other payables at amortised cost 2015 US \$ 000's	At fair value through profit or loss 2015 US \$ 000's	Total 2015 US \$ 000's
Financial liabilities			
Trade payables	18,307	—	18,307
Other payables – current	297	—	297
Long-term borrowings	21,376	—	21,376
Short-term borrowings	225,219	—	225,219
Accruals and deferred income	284	45,661	45,945
Short-term liabilities under sale and repurchase agreements	43,745	—	43,745
Financial liabilities at fair value through profit or loss – derivatives	—	2,675	2,675
Total	309,228	48,336	357,564

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

Financial instruments are measured at fair value as follows:

As at 31 December	Level 1		Level 2		Level 3	
	2016 US \$ 000's	2015 US \$ 000's	2016 US \$ 000's	2015 US \$ 000's	2016 US \$ 000's	2015 US \$ 000's
Financial assets						
Equity investments	—	—	—	—	150	179
Derivative financial assets	—	7,316	—	—	—	—
Total	<u>—</u>	<u>7,316</u>	<u>—</u>	<u>—</u>	<u>150</u>	<u>179</u>
As at 31 December	Level 1		Level 2		Level 3	
	2016 US \$ 000's	2015 US \$ 000's	2016 US \$ 000's	2015 US \$ 000's	2016 US \$ 000's	2015 US \$ 000's
Financial liabilities						
Accruals and deferred income	42,309	45,661	—	—	—	—
Derivative financial liabilities	5,273	—	801	2,675	—	—
Total	<u>47,582</u>	<u>45,661</u>	<u>801</u>	<u>2,675</u>	<u>—</u>	<u>—</u>

The valuation techniques used in assessing the categorisation level as disclosed above is detailed in note 2.4 of the accounting policy notes.

The impact of the level 3 adjustment for the current year is nil. For the prior year, the impact is shown as part the investment portfolio gains and losses in the consolidated statement of comprehensive income. The valuation technique used was the last fund raise done by the respective investment adjusted for the relevant liquidity of the investments. An increase/(decrease) in the underlying unobservable inputs, would not be reflected in other comprehensive income, but rather directly to the profit or loss of the Group. A 10% increase/(decrease) in the assumption would result in a change of \$14,985/(\$14,985) (2015: \$17,882/(\$17,882)) to the Group's profit before tax.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

Effective risk management is a fundamental aspect of the Group's business operations. In the ordinary course of the Group's business it is exposed to a number of financial risks: market risk, credit risk and liquidity risk. The principal risks and the policies for managing them are summarised below.

Equity risk

Equity risk arises from changes in the prices of the Group's equity investments arising through the normal course of its investing activities. An adverse movement in the fair value of the equity investments has a negative impact on the capital resources of the Group.

Equity risk exposures are primarily managed through the use of the individual stock position and overall portfolio limits.

A 10% increase or decrease in the underlying share price of listed financial assets of the Group at the year-end would have \$nil effect on pre-tax profit and net assets in the current financial year (2015: \$nil).

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Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

Market risk

The principal market risks that the Group is exposed to are interest rate risk, foreign currency risk, commodity price risk and equity risk.

Interest rate risk

The Group is exposed to interest rate risk on cash it holds and trade finance credit facilities.

Interest rate risk is derived from interest bearing deposits in which the Group invests cash. Due to the Group's liquidity requirements, cash is generally deposited at interest rates set on a daily basis. Interest income included within revenue in the year was \$17,941 (2015: \$7,406). The Group's interest bearing assets are held as cash or cash equivalents at floating interest rates as follows:

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
Sterling	393	89
US Dollars	5,672	8,917
Euros	72	313
Swiss Francs	79	108
Mozambique Meticals	265	70
Other denominations	212	326
Cash or cash equivalents	<u>6,693</u>	<u>9,823</u>

The Group is also exposed to interest rate risk in respect of the interest rate charged by:

- Trade finance providers for its physical metals activities. Interest rates charged by the banks are typically set at a margin over US\$ LIBOR calculated on the total US Dollar value of a shipment at the time of shipping. The Group has a policy of estimating its per tonne profit margin using interest rates that are above the prevailing interest rate. The Group typically enters into arrangements to purchase and sell specific tonnages of metal up to 12 months in advance of shipment and estimates its profit margin per tonne of metal sold after all costs, including an estimate for the expected rate of interest. As the actual interest rate is not known until the time of shipping there is the risk if interest rates rise that the actual interest charge would adversely affect the profitability of the transaction;
- Long term finance providers for its cement operations. Interest rates charged by the IDC are typically set at a margin over LIBOR; and
- Facility providers for its cement operations. Interest rates charged by the banks are typically set at a margin over MZN prime lending rate.

A change of 100 basis points upwards or downwards in interest rates at the year-end would have (decreased)/increased pre-tax profit from continuing operations and net assets by (\$1,630,727)/\$1,630,727 (2015: (\$1,894,722)/ \$1,894,722). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

Foreign currency risk

The Group is exposed to currency risks from its operating and investing activities. The Group publishes its consolidated financial statements in US Dollars. The revenue generated by Ambrian Metals Limited is for the most part denominated in US Dollars while the vast majority of their operating expenses are denominated in Pounds Sterling. The revenue generated by Cimentos da Beira is for the most part denominated in Mozambique Meticals while the vast majority of their operating expenses are denominated in US Dollars. Thus the impact arising from foreign currency risk on the Group's trading activities is potentially material.

The Group mitigates the risk of a loss as a result of transactions that occur in US Dollars through the purchase of forward foreign exchange contracts to sell a proportion of US Dollar income forward or through the purchase of options to sell US Dollars.

A 10% strengthening or weakening in the exchange rate between the Pound Sterling and the US Dollar at 31 December 2016 would have increased/(decreased) pre-tax profit from continuing operations and net assets by \$106,441/(\$106,441) (2015: \$14,027/(\$14,027)), assuming that all other variables, in particular interest rates, remain constant.

A summary of the financial instruments held by currency is provided below:

	<i>Sterling 2016 US \$ 000's</i>	<i>US Dollars 2016 US \$ 000's</i>	<i>Metical 2016 US \$ 000's</i>	<i>Other 2016 US \$ 000's</i>
Financial Assets				
Cash at bank	393	5,672	265	363
Trade and other receivables	173	60,217	545	—
Other receivables – current	202	328	—	2
Financial assets at fair value through profit or loss – equities	150	—	—	—
Total	918	66,217	810	365
	<i>Sterling 2015 US \$ 000's</i>	<i>US Dollars 2015 US \$ 000's</i>	<i>Metical 2015 US \$ 000's</i>	<i>Other 2015 US \$ 000's</i>
Financial Assets				
Cash at bank	89	8,917	70	747
Trade and other receivables	—	55,673	341	—
Other receivables – current	—	738	—	—
Financial assets at fair value through profit or loss – equities	179	—	—	—
Financial assets at fair value through profit or loss – derivatives	—	7,316	—	—
Total	268	72,644	411	747

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Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

	<i>Sterling</i> 2016 <i>US \$ 000's</i>	<i>US Dollars</i> 2016 <i>US \$ 000's</i>	<i>Metical</i> 2016 <i>US \$ 000's</i>	<i>Other</i> 2016 <i>US \$ 000's</i>
Financial Liabilities				
Trade and other payables	130	26,225	1,640	1,315
Long-term borrowings	915	—	—	—
Short-term borrowings	—	166,210	5,238	—
Short-term liabilities under sale and repurchase agreements	—	2,667	—	—
Financial liabilities at fair value through profit or loss – derivatives	801	5,273	—	—
Accruals and deferred income	109	43,017	89	75
Total	1,955	243,392	6,967	1,390
	<i>Sterling</i> 2015 <i>US \$ 000's</i>	<i>US Dollars</i> 2015 <i>US \$ 000's</i>	<i>Metical</i> 2015 <i>US \$ 000's</i>	<i>Other</i> 2015 <i>US \$ 000's</i>
Financial Liabilities				
Trade and other payables	162	15,587	379	2,476
Long-term borrowings	880	20,496	—	—
Short-term borrowings	—	222,287	2,932	—
Short-term liabilities under sale and repurchase agreements	—	43,745	—	—
Financial liabilities at fair value through profit or loss – derivatives	2,675	—	—	—
Accruals and deferred income	281	44,565	284	815
Total	3,998	346,680	3,595	3,291

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of commodities.

The Group is exposed to commodity price risk arising from physical sales of base metals, primarily refined copper.

This risk is principally managed through contractual arrangements with customers and the use of futures. Any increase/decrease in the base metal market price on physical contracts will be offset by a corresponding decrease/increase on our futures position.

The Group is also exposed to commodity price risk in the event that commodity prices rise and the US Dollar value of total tonnages of commodities that it has contracted to purchase exceeds the total US Dollar amount of trade finance facilities available to the Group.

The Group mitigates this risk by entering into purchase contracts assuming commodity prices above prevailing levels. The Group also has the potential to finance metal purchases with trade finance providers by entering into sale and repurchase agreements for the commodity.

Ambrian plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2016 (Continued)

26. Financial instruments – Risk management – continued

Credit and non-performance risk

The Group is exposed to credit risk from its operating activities.

The Group's cash and cash equivalents are placed with major financial institutions.

Counterparty credit risk arises from our normal business operations including purchases and sales transactions, and thus receivables, as well as transactions which may involve a performance risk, for example associated with prepayments and accrued income. These risks are addressed by individual counterparty analysis and the creation of risk limits which are monitored on an ongoing basis. Given the global nature of our business operations, which involves a diverse counterparty base, the impact of individual risk exposure is reduced. Concentration risk is regularly monitored and assesses counterparty exposure, industry sector exposure and country exposure.

Trade receivables payment risk associated with the physical metals business is reduced as almost all the trade receivables are either backed by a letter of credit from a major financial institution or there is credit insurance for substantially all of the credit exposure or there is other protection through title retention arrangements.

The maximum exposure to credit risk before the consideration of collateral or other credit enhancements is represented by the carrying amounts of the financial assets that are shown on the consolidated statement of financial position, including derivatives with positive market value.

The Group is exposed to the potential risk of a supplier defaulting on delivery of a contracted shipment of metal. We mitigate this risk in our physical metals business, by keeping a quantity of stock in storage and, by the use of performance bonds or similar instruments. Further, as the physical metals business deals almost exclusively in readily convertible commodities, we expect to be able to source metals from alternative counterparties although this may impact the profitability of the transaction.

As at 31 December 2016, the analysis of trade receivables outstanding was as follows:

	<i>Total</i>	<i>< 30 days</i>	<i>31 – 90 days</i>	<i>91 – 180 days</i>	<i>> 180 days</i>
	<i>US \$ 000's</i>	<i>US \$ 000's</i>	<i>US \$ 000's</i>	<i>US \$ 000's</i>	<i>US \$ 000's</i>
2016	60,935	49,337	11,334	23	241
2015	56,014	55,123	810	8	73

At 31 December 2016 and at 31 December 2015 there were no trade receivables that were considered to be impaired.

Liquidity risk

The Group defines liquidity risk as the failure to have sufficient financial resources to meet its day to day capital and cashflow requirements.

The Group's liquidity risk management strategy includes (a) projecting cashflows from operations, (b) maintaining sufficient cash and (c) accessing a diverse number of uncommitted bilateral trade finance facilities.

The Group's liquidity is monitored daily within agreed procedures designed to ensure that the Group has sufficient liquidity to fully meet its obligations, including physical metal purchases and margin requirements at LME clearers and at third party brokers.

Excess liquidity is invested in cash deposits with financial institutions, typically, on an overnight basis. As at 31 December 2016, the Group had cash and cash equivalents of \$6,692,562 (2015: \$9,822,792).

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

26. Financial instruments – Risk management – *continued*

Ambrian Metals Limited had as at 31 December 2016, bilateral bank facilities with seven (2015: ten) banks totaling \$279,000,000 (2015: \$365,000,000) under which that Company had access to cash borrowings and trade finance facilities. At 31 December 2016, \$142,392,232 of these facilities, were drawn down (2015: \$218,926,880). The Group's policy is to maintain strong relationships with a number of alternative major providers of trade finance. The Group's metals trading business is dependent upon the continued availability of these banking facilities. The withdrawal or a material reduction of these facilities would have a materially adverse effect on the Group.

Cimentos da Beira had as at 31 December 2016, two senior term loans and a convertible loan with the Industrial Development Corporation ("IDC") totaling \$23,000,000 (2015: \$23,000,000). In addition, the company had three bank facilities totaling \$7,920,000 (2015: \$8,560,000) under which the Group had access to cash. The Group's cement business is dependent upon the continued availability of these banking facilities. The withdrawal or a material reduction of these facilities would have a materially adverse effect on the Group.

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

	<i>Up to 6 months US \$ 000's</i>	<i>Between 6 and 12 months US \$ 000's</i>	<i>Between 1 and 2 years US \$ 000's</i>	<i>Between 2 and 5 years US \$ 000's</i>	<i>Over 5 years US \$ 000's</i>
<i>At 31 December 2016</i>					
Trade and other payables	29,310	—	—	—	—
Accruals and deferred income	43,290	—	—	—	—
Long-term borrowings	—	—	—	915	—
Short-term trade finance	147,630	—	—	—	—
Short-term borrowings	23,818	—	—	—	—
Short-term liabilities under sale and repurchase agreements	2,667	—	—	—	—
Financial liabilities at fair value through profit or loss	6,074	—	—	—	—
	<u>252,789</u>	<u>—</u>	<u>—</u>	<u>915</u>	<u>—</u>
	<i>Up to 6 months US \$ 000's</i>	<i>Between 6 and 12 months US \$ 000's</i>	<i>Between 1 and 2 years US \$ 000's</i>	<i>Between 2 and 5 years US \$ 000's</i>	<i>Over 5 years US \$ 000's</i>
<i>At 31 December 2015</i>					
Trade and other payables	18,604	—	—	—	—
Accruals and deferred income	45,945	—	—	—	—
Long-term borrowings	1,038	2,076	4,153	17,223	—
Short-term trade finance	222,105	—	—	—	—
Short-term liabilities under sale and repurchase agreements	43,745	—	—	—	—
Financial liabilities at fair value through profit or loss	2,675	—	—	—	—
	<u>334,112</u>	<u>2,076</u>	<u>4,153</u>	<u>17,223</u>	<u>—</u>

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

26. Financial instruments – Risk management – *continued*

Capital management

The primary objective of the Group's capital management is to ensure that it has sufficient capital to support its businesses and maximise shareholder value. Details of the Group's capital is disclosed in the consolidated statement of changes in equity at 31 December 2016. The Company's equity is disclosed in the Company's statement of financial position at 31 December 2016.

For the purpose of capital management, capital is defined as share capital, share premium account, treasury shares and retained earnings.

To maintain or adjust the Group capital structure, the Group may return capital to shareholders or issue new shares.

The Group enters into short-term borrowings to finance trading activity and cement operations. The Group enters into long-term borrowings to finance property, plant and equipment for the cement operations.

27. Accounting estimates and judgements

The Group makes estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are considered below.

Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Details of financial assets held at fair value through profit or loss are provided in note 11.

All amounts presented in respect of unlisted securities have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This determination requires significant judgement in determining changes to fair value since the last valuation date. In making this judgement the Board evaluates, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies.

Deferred tax asset

The Group determines the recoverability of deferred tax assets based on an assessment of the future financial performance of the business and the ability to offset or recover this under the tax legislation of the jurisdictions that the Group operates in. The extent to which estimates about future performance of the business or tax legislation are different from current assessments may impact the ultimate realisation of this asset. The deferred tax in the current year is based on the fair value uplift arising from the merger, at the Mozambican tax rate of 32%, and deferred tax losses carried forward, at the UK tax rate of 18%.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

27. Accounting estimates and judgements – *continued*

Depreciation rates

Refer to note 2.9 for the applicable depreciation rates. Estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of capital investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives and residual values are reviewed annually, and historically changes to remaining estimates of useful lives have not been material.

Inventory valuation

Refer to note 2.12 for the accounting policy on Inventory. Net realisable value is the estimate of the selling price of inventories in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Management is required to exercise considerable judgement in the determination of this estimate.

Convertible loan notes valuation

Refer to note 2.16 and note 15 for the accounting policy on convertible loan notes. The Group has entered into a series of significant convertible loan notes. These transactions, some of which are with significant shareholders, required judgment in terms of the appropriate accounting treatment. In applying judgement and estimation in determining the fair value of liability and derivative components of the loan notes, it was considered that the host component of the loan notes was a debt instrument and the convertible portion had an embedded foreign exchange derivative. The embedded foreign exchange derivative was valued first with the residual portion considered the debt component. As there are market observable inputs (e.g. share price, volatility and risk free rates) and there is a defined contractual term, the convertible loan notes are considered level 2 for IFRS 13 disclosure purposes. A Black Scholes model was used to value the conversion feature and the embedded derivative.

Impairment review

When considering the value of the property, plant and equipment, management use a value in use calculation to determine whether an impairment exists. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

28. Non-controlling interest

The non-controlling interest ("NCI") disclosed in the consolidated statement of comprehensive income and consolidated statement of financial position at 31 December 2016 is represented by:

<i>Names of entity with NCI</i>	<i>Cimentos da Beira Limitada</i>	
Principal place of business of subsidiary	Beira, Mozambique	
	2016	2015
Proportion of ownership held by NCI	20%	20%
Proportion of voting rights held by NCI	0%	0%
(Loss)/profit attributed to NCI in US \$ 000's	(3,695)	252
Accumulated NCI value in US \$ 000's	3,494	7,197
Dividends paid to NCI	—	—
	<i>US \$ 000's</i>	<i>US \$ 000's</i>
Non-current assets	55,518	75,394
Current assets	6,868	5,983
Non-current liabilities	—	(20,496)
Current liabilities	(37,944)	(21,068)
Turnover	10,012	2,077
(Loss)/profit for the year	(18,474)	1,263
Total comprehensive income for the year	(18,474)	1,263

The 20% economic interest in Cimentos da Beira ("CdB"), is held by the Industrial Development Corporation of South Africa Limited ("IDC") by means of a convertible loan agreement whereby the IDC has an option to subscribe for 20% of the issued share capital of CdB following the repayment of the IDC loans by CdB. The IDC has a right to 20% of any dividends declared by CdB until such time that it holds no financial interest in CdB.

There is a 20% minority interest in Ambrian Resources AG held by shareholders other than Ambrian plc.

29. Business combination of Consolidated Generals Minerals (Schweiz) AG

On 17 February 2015, Ambrian announced that it had entered into a conditional agreement relating to the merger of Ambrian's Swiss subsidiary, Ambrian Metals Limited, with CGM Schweiz (which owns a newly constructed cement manufacturing plant in the port of Beira, Mozambique), pursuant to a 'merger by absorption' process governed by Swiss law and a subsequent acquisition by Ambrian plc of the shareholding of Consolidated General Minerals Plc (now in liquidation) ("CGM") in the resulting Swiss merged entity, together with all the indebtedness of the CGM Schweiz Group owed to CGM.

On 6 March 2015, the deal was approved by a majority shareholding of both entities, and by 27 March 2015 the deal was declared unconditional with all conditions precedent having been met. This was considered the acquisition date. On the same day two directors of CGM were appointed to the board of Ambrian plc, Robert Adair (who subsequently resigned as a director on 20 July 2016) and Jean-Pierre Conrad (Chief Executive).

The merger serves a strategic purpose in diversifying Ambrian's revenue stream. The Group now has an operating asset, and has further exposure to the fast growing and developing market of Mozambique. Further, it helps increase Ambrian's shareholder base, and consequent prospects of additional liquidity in share trading and improving the Group's profile with institutional investors.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (Continued)

29. Business combination of Consolidated Generals Minerals (Schweiz) AG – continued

We announced the details of the transaction with CGM and the combination of our businesses in 2015. This is the second reporting period for which we report on the combined businesses including the cement plant in Mozambique, owned by CdB, and is principally included as a note for comparative purposes. At the time, the Directors considered how this transaction should be accounted for and having reviewed the criteria, determined that it should be accounted for as a business combination.

Details of the fair value of identifiable assets and liabilities acquired (excluding the holding in Ambrian plc previously held by CGM), and purchase consideration is as follows:

	Book value at 31 March 2015 US \$ 000's	Fair value uplift at 31 March 2015 US \$ 000's	Fair value at 31 March 2015 US \$ 000's
Property, plant and equipment	40,132	26,174	66,306
Land	768	—	768
Trade and other receivables	2,659	—	2,659
Cash and cash equivalents	424	—	424
Loan and overdraft facilities	(25,151)	—	(25,151)
Trade and other payables	(1,938)	—	(1,938)
Deferred tax liability	—	(7,582)	(7,582)
Non-controlling interest	—	(6,944)	(6,944)
Total net assets	16,894	11,648	28,542

	No. of Convertible Securities	At 31 March 2015 US \$ 000's
Fair value of consideration payable		
Initial Convertible Securities (converted)	165,020,739	28,521
Second Tranche Deferred Convertible Securities	9,707,102	1,678
Total consideration	174,727,841	30,199
Less Investment acquired in Ambrian plc previously held by CGM		(1,657)
		28,542

The value applied to the equity that was issued was based on Ambrian plc's closing price (11.62 pence) and USD closing exchange rate (USD/GBP 1.4874) on the day the transaction completed which was 27 March 2015.

Details of the Convertible Securities in relation to the merger

The 165,020,739 Initial Convertible Securities of £0.01 each in Ambrian plc were issued on 8 May 2015, as anticipated and upon their immediate subsequent distribution to CGM shareholders, automatically converted into 165,020,739 Ordinary Shares in Ambrian plc.

The 19,414,205 First Tranche Deferred Convertible Securities of £0.01 each in Ambrian plc were also issued on 8 May 2015 but (notwithstanding their immediate subsequent distribution to CGM shareholders) were not converted into Ordinary Shares in Ambrian plc, as the condition for such conversion (mechanical completion of the Beira cement plant) was not satisfied by the long stop date for satisfaction of that condition (15 May 2015) – and so automatically on that date converted into 19,414,205 special deferred shares of £0.01 each in Ambrian plc.

Ambrian plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2016 (*Continued*)

29. Business combination of Consolidated Generals Minerals (Schweiz) AG – *continued*

The 9,707,102 Second Tranche Deferred Convertible Securities of £0.01 each in Ambrian plc were also issued on 8 May 2015 and, in accordance with their terms, converted into 9,707,102 Ordinary Shares in Ambrian plc on 1 July 2016, upon the final dissolution of CGM.

Details of the Non-treasury shares in relation to the merger

As a result of the merger, Ambrian plc held \$4,980,000 shares in itself, \$1,657,000 through shares held directly by CGM (as noted above) and \$3,323,000 through Ambrian plc's holding in CGM plc which was acquired through the issue of Ambrian plc shares. These shares are held as Non-treasury shares and are required by law to be sold or cancelled in the future. On 21 September 2016, 20,888,179 of these ordinary shares in the Company were cancelled. Note 19 gives details of the movement in shares during the year.

Note 3 give details of the profit contributed by the cement operations segment since acquisition.

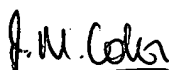
Ambrian plc
Company Balance Sheet
31 December 2016

The company number is 3172986

	Note	As at 31 December 2016 US \$ '000's	As at 31 December 2015 US \$ '000's
Non-current assets			
Investment in Subsidiaries	3	21,978	21,978
		<u>21,978</u>	<u>21,978</u>
Current assets			
Financial assets at fair value through profit and loss	4	117	—
Trade and other receivables	5	13,757	36,047
Cash and cash equivalents		60	60
Total Assets		<u>35,912</u>	<u>58,085</u>
Current liabilities			
Trade and other payables	6	(5,248)	(5,262)
Financial liabilities at fair value through profit and loss	7	(801)	(2,675)
		<u>(6,049)</u>	<u>(7,937)</u>
Net assets		<u>29,863</u>	<u>50,148</u>
Non-current liabilities			
Convertible loan notes	14	(915)	(880)
Total net assets		<u><u>28,948</u></u>	<u><u>49,268</u></u>
CAPITAL AND RESERVES			
Share capital	8	4,063	4,222
Share premium		19,578	18,044
Capital redemption reserve		15,898	15,898
Merger relief reserve		24,770	24,770
Treasury shares		(1,986)	(1,986)
Other reserves		(3,221)	(3,323)
Retained earnings		(30,297)	(9,970)
Employee benefit trust		(10,863)	(10,870)
Share-based payments reserve		8,052	8,052
Shares to be issued		—	1,477
Exchange reserve		2,954	2,954
Shareholders' funds		<u><u>28,948</u></u>	<u><u>49,268</u></u>

The Company's loss after tax was \$ 20,327,000 (2015: loss after tax of \$ 940,000).

These financial statements were approved and authorised by the Board of Directors on 8 June 2017.



M Abbott
Chairman

J M Coles
Finance Director

The accounting policies and notes set out on pages 67 to 72 form an integral part of these parent Company financial statements.

	Share capital US \$ 000's	Share premium US \$ 000's	Capital redemption reserve US \$ 000's	Merger relief reserve US \$ 000's	Treasury shares US \$ 000's	Other reserve US \$ 000's	Retained earnings US \$ 000's	Employee benefit trust US \$ 000's	Share based payments reserve US \$ 000's	Shares to be issued US \$ 000's	Exchange reserve US \$ 000's	Total US \$ 000's
Balance at 31 December 2014	17,665	18,044	—	—	(1,986)	—	(9,030)	(11,446)	8,052	—	2,037	23,336
Arising from the business combination of Consolidated General Minerals (Schweiz) AG	2,455	—	—	26,066	—	(3,409)	—	—	—	1,477	—	26,589
Share issue costs	—	—	—	(1,296)	—	—	—	—	—	—	—	(1,296)
Exercise of options	—	—	—	—	—	—	—	576	—	—	—	576
Redemption of Deferred 9p shares	(15,898)	—	15,898	—	—	—	—	—	—	—	—	—
Share based payment	—	—	—	—	—	86	—	—	—	—	—	86
Foreign currency adjustments	—	—	—	—	—	—	—	—	—	—	917	917
Loss for the year	—	—	—	—	—	—	(940)	—	—	—	—	(940)
Balance at 31 December 2015	4,222	18,044	15,898	24,770	(1,986)	(3,323)	(9,970)	(10,870)	8,052	1,477	2,954	49,268
Issuance of shares	144	1,534	—	—	—	(201)	—	—	—	(1,477)	—	—
Share cancellation	(303)	—	—	—	—	303	—	—	—	—	—	—
Exercise of options	—	—	—	—	—	—	—	7	—	—	—	7
Loss for the year	—	—	—	—	—	—	(20,327)	—	—	—	—	(20,327)
Balance at 31 December 2016	4,063	19,578	15,898	24,770	(1,986)	(3,221)	(30,297)	(10,863)	8,052	—	2,954	28,948

During the year the Company loaned \$nil (2015: \$nil) to the Employee Benefit Trust set up by the Group.

During the year, 9,707,102 Second Tranche Deferred Convertible Securities were converted into ordinary shares and 20,388,179 Non-treasury shares held by Ambrian plc were cancelled.

There are 4,500,058 (2015: 4,500,058) shares held in Treasury shares, 6,259,046 shares (2015: 6,259,046) are held by the Employee Benefit Trust and nil (2015: 19,227,726) shares held in Non-treasury shares, disclosed as "Other reserves".

The accounting policies and notes set out on pages 67 to 72 form an integral part of these parent Company financial statements.

Ambrian plc
Company Statement of Cash Flows
for the year ended 31 December 2016

	Year to 31 December 2016 US \$ 000's	Year to 31 December 2015 US \$ 000's
(Loss) for the year before taxation	(20,327)	(932)
Adjustments for:		
Share-based payment expense	—	72
Provision against amounts owed by subsidiary undertakings	20,511	—
Finance income	(276)	(273)
Finance costs	627	111
Foreign exchange (gains)/losses	(562)	898
Realised gain on financial assets designated at fair value	—	(676)
Unrealised gain on financial liabilities designated at fair value	(1,479)	(428)
Interest paid	(361)	—
Decrease in trade and other receivables	1,779	8
Decrease/(increase) in trade and other payables	89	(2,162)
Cash generated/(used) in operations	1	(3,382)
Taxation paid	—	—
Net cash flow generated/(used) in operating activities	1	(3,382)
Financing activities		
Share issuance costs	—	(1,296)
Proceeds from issue of convertible loan notes	—	4,010
Proceeds received from the exercise of options in Employee Benefit Trust	—	576
Net cash generated from financing activities	—	3,290
Net increase/(decrease) in cash and cash equivalents	1	(92)
Cash and cash equivalents at the beginning of the year	60	153
Effect of foreign exchange rate differences on cash and cash equivalents	(1)	(1)
Cash and cash equivalents at the end of the year	60	60

The accounting policies and notes set out on pages 67 to 72 form an integral part of these parent Company financial statements.

Ambrian plc

Notes forming part of the Company financial statements for the year ended 31 December 2016

1. Accounting policies

Ambrian plc is a public company incorporated in England and listed on the Alternative Investment Market of the London Stock Exchange. The Registered Office is 27/28 Eastcastle Street, London W1W 8DH.

The parent Company financial statements of Ambrian plc have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. In preparing the separate financial statements of the parent company, advantage has been taken of the exemption under Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes. The Company has elected to use the IFRS format and not the format as prescribed by the Companies Act.

The Company has elected to apply the provisions of IAS 39 'Financial instruments: Recognition and measurement' (as adopted in the EU) in line with 11.3 of FRS 102.

1.1 Accounting convention

The financial statements are prepared under the historical cost basis, as modified by the valuation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

1.2 Foreign currencies

The financial statements have been presented in US Dollars which is the functional currency of the Company and its principal trading subsidiaries.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

1.3 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all timing differences when the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

1.4 Pensions

The Company contributes to the private pension scheme of two Directors. The assets of the scheme are held separately from that of the Company. Contributions are charged in the accounts as incurred.

1.5 Share-based payment transactions

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

Ambrian plc

Notes forming part of the Company financial statements for the year ended 31 December 2016 (*Continued*)

1. Accounting policies – *continued*

All equity-settled share-based payments are recognised as an expense in the profit and loss account with a corresponding credit to share-based payment reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

1.6 *Employee Benefit Trust*

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Company's accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

1.7 *Treasury shares*

The costs of purchasing treasury shares are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

1.8 *Investments*

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Current asset investments were stated at the lower of cost and net realisable value.

1.9 *Financial instruments*

Details of the financial instruments accounting policies are given in note 2.4 to the consolidated financial statements.

2. Company profit

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company's loss after tax was \$20,327,000 (2015: loss after tax of \$940,000).

Ambrian plc

Notes forming part of the Company financial statements for the year ended 31 December 2016 (Continued)

3. Investment in Subsidiaries

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Shares in subsidiary undertakings		
<i>Cost</i>		
At 1 January	21,978	21,941
Effects of foreign currency translation	—	37
At 31 December 2016	21,978	21,978
<i>Net book value</i>		
At 31 December 2016	21,978	21,978

Details of the investments in subsidiary undertakings held by the Company at the year-end are as follows:

Name of Company	Country of operation	Country of incorporation	Registered Office	Holding	Proportion of shares and voting rights held	Nature of business
Ambrian Metals Limited	UK	Switzerland	Gotthardstrasse 31, 6300 Zug	Ordinary shares	100%	Physical metals merchant
Ambrian Trading (Shanghai) Limited	China	China	Room 1003-1004 Times Square No 93, Middle Huaihai Road, Shanghai	Ordinary shares	100%	Physical metals merchant
Ambrian Trading (Singapore) Pte Limited	Singapore	Singapore	57 Mohammed Sultan Road, Office D, Sultan Link, Singapore	Ordinary Shares	100%	Physical metals merchant
Ambrian Trading (Taiwan) Limited	Taiwan	Taiwan	6F-1 No. 267 Sec 2 Tun Hwa South Road, Taipei Taiwan	Ordinary Shares	100%	Physical metals merchant
Ambrian Resources AG	Switzerland	Switzerland	Gotthardstrasse 31, 6300 Zug	Ordinary shares	80%	Consultancy
Ambrian Principal Investments Limited	Jersey	Jersey	13-14 Esplanade St Helier, Jersey JE1 1BD	Ordinary shares	100%	Managed fund
CGM (UAE) FZE	UAE	UAE	Rakia Free Zone, Ras Al Khaimah, United Arab Emirates	Ordinary Shares	100%	Holding company
CGM Distribution FZE	UAE	UAE	Rakia Free Zone, Ras Al Khaimah, United Arab Emirates	Ordinary Shares	100%	Holding company

Ambrian plc

Notes forming part of the Company financial statements for the year ended 31 December 2016 (Continued)

3. Investment in Subsidiaries – continued

Name of Company	Country of operation	Country of incorporation	Registered Office	Holding	Proportion of shares and voting rights held	Nature of business
Cimentos Da Beira Limitada	Mozambique	Mozambique	Rua Kruss Gomes, Munhava, Beira, Mozambique	Ordinary shares	100%	Cement Operation
Cimentos Da Beira Distribution Limitada	Mozambique	Mozambique	Rua Kruss Gomes, Munhava, Beira, Mozambique	Ordinary shares	100%	Cement distribution
Cimentos Da Beira Warehouse Limitada	Mozambique	Mozambique	Rua Kruss Gomes, Munhava, Beira, Mozambique	Ordinary shares	100%	Cement warehousing

Further details of the non-controlling interests in Ambrian Resources AG and Cimentos da Beira Limitada are given in note 28 to the consolidated financial statements.

4. Financial assets at fair value through profit or loss

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Unlisted investments		
Cost		
At 1 January	—	—
Acquisition during the year	117	—
At 31 December 2016	117	—
Net book value		
At 31 December 2016	117	—

5. Trade and other receivables

	As at 31 December 2016 US \$ 000's	As at 31 December 2015 US \$ 000's
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	13,558	35,972
Other receivables	173	—
Other taxes and social security	8	58
Prepayments and accrued income	18	17
	13,757	36,047

Amounts owed by subsidiary undertakings are shown after provisions of \$20,511,000 (2015: \$nil). Amounts owed by subsidiary undertakings comprise of interest free receivables of \$10,558,000 (2015: \$32,972,000) and interest bearing receivables of \$3,000,000 (2015: \$3,000,000). Interest is charged at 8.5% above 6 month USD LIBOR.

Management assessed the recoverability of the amounts owed by subsidiary undertakings and determined that a provision was necessary. This was because the net assets of the subsidiary undertakings were lower than the amounts owed by subsidiary undertakings.

Ambrian plc
Notes forming part of the Company financial statements
for the year ended 31 December 2016 (Continued)

6. Trade and other payables

	<i>As at 31 December 2016 US \$ 000's</i>	<i>As at 31 December 2015 US \$ 000's</i>
Amounts payable within one year		
Other creditors	5	110
Other taxation and social security creditors	26	25
Accruals and deferred income	55	161
Corporation tax	—	14
Amounts owed to subsidiary undertaking	5,162	4,952
	<u>5,248</u>	<u>5,262</u>

7. Financial liabilities at fair value through profit or loss

	<i>As at 31 December 2016 US \$ 000's</i>	<i>As at 31 December 2015 US \$ 000's</i>
Financial liabilities at fair value through profit and loss – convertible loan derivatives	<u>(801)</u>	<u>(2,675)</u>

Financial liabilities at fair value through profit or loss represent convertible loan derivatives in respect of warrants and an embedded derivative in relation to the convertible loan notes in Ambrian plc which are denominated in Pounds Sterling. Further details are given in note 15 to the consolidated financial statements.

8. Share Capital and Share Premium

Details of the share capital are given in note 19 to the consolidated financial statements. Details of each reserve within equity are given in note 21 to the consolidated financial statements.

Ambrian Metals Limited, a subsidiary, owns 8,484,466 shares in Ambrian plc.

9. Share options

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to the Directors and other persons. Full details of the share options currently in existence are set out in note 20 to the consolidated financial statements.

10. Capital commitments

There were no capital commitments as at 31 December 2016 or at 31 December 2015.

11. Contingent liabilities

There were no contingent liabilities as at 31 December 2016 or at 31 December 2015.

12. Guarantees and other financial commitments

The Company has granted a \$10,000,000 guarantee (2015: \$10,000,000) to a consortium of banks that provide trade finance facilities to Ambrian Metals Limited.

Ambrian plc
Notes forming part of the Company financial statements
for the year ended 31 December 2016 (Continued)

13. Transactions with related parties

Details of transactions with Directors and Directors' remuneration are given in note 5 to the consolidated financial statements.

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 "Related party disclosures" Paragraph 1A not to disclose transactions with its wholly owned subsidiaries.

There were no related party transactions other than those disclosed in note 25 of the consolidated financial statements.

14. Convertible loan notes

Details of the convertible loan notes are given in notes 6 and 15 to the consolidated financial statements.

15. Financial instruments – Risk management

Details of the Company's risk management are given in note 26 to the consolidated financial statements.

	<i>As at 31 December 2016 US \$ 000's</i>	<i>As at 31 December 2015 US \$ 000's</i>
Financial assets		
Financial asset at fair value through profit and loss	117	—
Financial assets at amortised cost	13,731	35,972
Financial liabilities		
Financial liabilities at fair value through profit or loss	(801)	(2,675)
Financial liabilities at amortised cost	(6,137)	(6,103)

Financial assets measured at amortised cost comprise cash and trade and other receivables.

Financial liabilities at fair value through profit or loss relates to the debt portion of the convertible loan notes issued by the Company during the year. Financial liabilities at amortised costs pertains to trade and other payables at year end.

Ambrian plc

Directors

Martin Abbott

Non-executive Chairman

Martin served as the Chief Executive Officer of the London Metal Exchange from 2006 until 2013, leading the company through its successful US\$2.2 billion takeover by Hong Kong Stock Exchanges & Clearing Group. He has also served as Editor-In-Chief of Metal Bulletin Plc, a London-listed publishing and events company, between 2001 and 2006, prior to its £221 million acquisition by Euromoney.

Jean-Pierre Conrad

Chief Executive

Jean-Pierre started his career in the banking industry in Switzerland. In 1994 he joined Marc Rich which became Glencore International thereafter, responsible for corporate finance activities in the metals and minerals trading division in Switzerland. He was appointed chief financial officer of Xstrata in 1997 which transformed from an investment vehicle to a diversified natural resource group during his period in office. Since leaving Xstrata at the end of 2001, he has pursued private ventures including in the natural resource sector. He is a director of MG Finance SA, a private asset management company in Switzerland.

John M Coles

Finance Director

John has over 25 years' experience in investment banking and asset management. After qualifying as a chartered accountant, he worked with Robert Fleming & Co. Limited in private equity, investment banking and stockbroking. Prior to joining the Group, John was Deputy Managing Director of JP Morgan Fleming Asset Management in France. John holds an honours degree in business and economics from Trinity College, Dublin, and is a member of the Institute of Chartered Accountants in England and Wales.

Nicolas F Rouveyre

Non-executive Director

Nicolas has worked in the minerals industry all of his professional life, starting his career with Transamine in Bolivia and Peru. Thereafter, he spent over 20 years with the Marc Rich Group and then with the Glencore International Group, where he was a senior partner and responsible for the zinc, lead, silver and gold trading department.

Charles Davies

Non-executive Director

Charles founded and built The Link Asset & Securities Co Ltd into a world leading interdealer brokerage firm and sold it to ICAP plc in 2008. Since 2012, Charles has focused on building Edgebold JLT which is involved in construction, real estate, ship supply services and transport services in Mozambique.

Oliver Benz

Non-executive Director

Oliver graduated with a BSc from the School of Economics and Business Administration in Zurich in 1988 and completed his education at the International Bankers School in New York in 1992. He started his career as a financial analyst for Credit Suisse in Zurich in 1990 and thereafter for BEA Associates, a New York-based asset management company acquired by Credit Suisse, from 1992 until 1996. From 1996 until 2009, Oliver was a member of the Management Board and a Partner of Bellevue Group (BBN:SW). Oliver is a partner of a Swiss-based investment management company, and currently has several board and advisory mandates.

