Logan Aluminum Inc.

Independent Auditor's Report
and Financial Statements

March 31, 2018 and 2017

BKD
CPAs & Advisors

Logan Aluminum Inc.
March 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Logan Aluminum Inc.
Russellville, Kentucky

We have audited the accompanying financial statements of Logan Aluminum Inc. (Company), which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of operations and comprehensive income (loss), stockholders' deficit and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Bowling Green, Kentucky
April 18, 2018

Logan Aluminum Inc.
Balance Sheets
March 31, 2018 and 2017

Assets

	2018	2017
Assets		
Cash	$ -	$ 1,962,186
Receivables	5,782,134	4,963,414
Receivable from Associates	22,325,778	19,311,136
Income taxes receivable	770,548	41,760
Inventory	30,592,181	28,576,426
Spare parts	29,844,069	26,384,212
Supplies	6,996,299	6,878,300
Construction in progress	158,554,315	171,309,519
Other assets	1,313,957	2,163,769
Deferred taxes	65,347,848	88,140,853
	$ 321,527,129	$ 349,731,575

Liabilities and Stockholders' Deficit

Liabilities		
Accounts payable	$ 43,253,153	$ 32,733,355
Payable to Associates	94,325,710	112,336,471
Accrued employee benefits	267,010,817	247,872,653
Other accrued liabilities	1,797,326	1,542,856
Total liabilities	406,387,006	394,485,335
Stockholders' Deficit		
Capital stock, $0.01 par value – authorized and issued 100 shares	1	1
Additional paid-in capital in excess of par	99	99
Accumulated other comprehensive loss	(57,890,918)	(44,865,034)
Retained earnings (deficit)	(26,969,059)	111,174
Total stockholders' deficit	(84,859,877)	(44,753,760)
	$ 321,527,129	$ 349,731,575

Logan Aluminum Inc.

Statements of Operations and Comprehensive Income (Loss)

Years Ended March 31, 2018 and 2017

	2018	2017
Revenues		
Processing costs and expenses reimbursed by Associates	$ 456,262,247	$ 432,181,884
Management fee	500,000	500,000
Total Revenues	456,762,247	432,681,884
Processing Costs and Expenses		
Variable	362,288,636	343,610,152
Fixed	94,025,791	88,628,398
Other expense	7,323	280
Interest income	(52,180)	(56,666)
Total Processing Costs and Expenses	456,269,570	432,182,164
Income Before Income Taxes	492,677	499,720
Provision for Income Taxes	27,461,736	388,546
Net Income (Loss)	(26,969,059)	111,174
Other Comprehensive Income (Loss)	(13,025,884)	5,163,409
Comprehensive Income (Loss)	$ (39,994,943)	$ 5,274,583

Logan Aluminum Inc.
Statements of Stockholders' Deficit
Years Ended March 31, 2018 and 2017

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
Balance, April 1, 2016	$ 1	$ 99	$ (50,028,443)	$ 38,905	$ (49,989,438)
Net income	-	-	-	111,174	111,174
Dividends paid	-	-	-	(38,905)	(38,905)
Retirement benefit obligation, net of tax of $3,222,152	-	-	5,163,409	-	5,163,409
Balance, March 31, 2017	1	99	(44,865,034)	111,174	(44,753,760)
Net loss	-	-	-	(26,969,059)	(26,969,059)
Dividends paid	-	-	-	(111,174)	(111,174)
Retirement benefit obligation, net of tax benefit of $3,742,307	-	-	(13,025,884)	-	(13,025,884)
Balance, March 31, 2018	$ 1	$ 99	$ (57,890,918)	$ (26,969,059)	$ (84,859,877)

Logan Aluminum Inc.

Statements of Cash Flows

Years Ended March 31, 2018 and 2017

	2018	2017
Operating Activities		
Net income (loss)	$ (26,969,059)	$ 111,174
Items not providing cash		
Deferred income taxes	26,535,312	(8,111,004)
Changes in receivable from/payable to Associates		
Cash advances from Associates	646,166,726	567,192,983
Costs charged to Associates		
Processing costs and expenses	(456,262,247)	(432,181,884)
Capital costs, net	(216,517,805)	(43,580,996)
Other miscellaneous credits, net	5,587,923	1,131,122
Net change in receivable from/payable to Associates	(21,025,403)	92,561,225
Changes in		
Receivables	(818,720)	(625,434)
Income tax receivable	(728,788)	3,379,550
Inventories	(2,015,755)	1,082,819
Spare parts	(3,459,857)	(2,772,570)
Supplies	(117,999)	901,067
Construction in progress	12,755,204	(114,461,198)
Other assets	849,812	458,672
Accounts payable	10,519,798	3,867,702
Accrued employee benefits	2,369,973	23,070,649
Other accrued liabilities	254,470	252,171
	19,608,138	(84,846,572)
Net cash used in operating activities	(1,851,012)	(285,177)
Financing Activities		
Distributions to Associates	(111,174)	(38,905)
Net cash used in financing activities	(111,174)	(38,905)
Decrease in Cash	(1,962,186)	(324,082)
Cash, Beginning of Year	1,962,186	2,286,268
Cash, End of Year	$ -	$ 1,962,186
Supplemental Cash Flows Information		
Income taxes paid	$ 1,336,000	$ 5,114,000
Pension and OPEB liability increase (decrease) recognized in other comprehensive income (loss)	$ 16,768,191	$ (8,385,561)
Deferrred tax asset increase (decrease) recognized in other comprehensive income (loss)	$ 3,743,207	$ (3,222,152)

Logan Aluminum Inc.

Notes to Financial Statements

March 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Logan Aluminum Inc. (Logan or Company) is a corporation established to manage a joint venture aluminum rolling mill. The joint venture owners, collectively referred to as the Associates, are Tri-Arrows Aluminum Inc. (TAA) and Novelis, Inc. (Novelis), a subsidiary of Hindalco Industries Limited. TAA owns 60% and Novelis owns 40% of the capital stock of Logan.

Under the joint venture agreements, the Associates pay Logan a fee for managing the mill and reimburse it for capital and processing costs incurred. Variable costs are reimbursed based on usage. Production center fixed costs are reimbursed based on ownership and administrative fixed costs are based on plant usage. Annual capital costs, which are necessary to maintain and operate the facility at its current capacity levels, achieve acceptable quality levels and meet regulatory requirements, are funded based on ownership of the assets. Capital improvements are reimbursed based on the Associates' elective participation in each project.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At March 31, 2018, the Company's cash accounts exceeded federally insured limits by approximately $296,000.

Assets Owned by Associates

Certain assets in the possession of Logan are owned by the Associates. Such assets (tolled metals, certain spare parts inventory and property, plant and equipment) and the related costs and expenses are not included in Logan's financial statements.

Inventory Pricing

Inventories primarily represent variable processing costs consisting of unbilled direct labor and other manufacturing costs applied to materials furnished by the Associates. Hardener inventories owned by Logan are recorded at moving average cost. Hardener inventories are stated at the lower of cost or net realizable value for 2018 and at the lower of cost or market for 2017. As these hardener inventories are used, the costs are reimbursed by the Associates.

Spare Parts

Spare parts consist of component parts for machinery and equipment and are recorded at moving average cost. As these spare parts are used, the costs are charged to the Associates.

Supplies

Supplies consist of consumable materials used in the manufacturing process and are recorded at moving average cost. As these supplies are used, the costs are charged to the Associates.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (Accounting Standards Codification 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability or balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes changes in the funded status of defined benefit pension and other postretirement benefit plans.

The Company has not elected to apply the provisions of ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permit the reclassification of stranded tax effects resulting from the *Tax Cuts and Jobs Act of 2017* (TCJA) in accumulated other comprehensive loss (AOCL) to retained earnings (deficit).

Self-Insurance

The Company has elected to self-insure certain costs related to employee health and workers' compensation benefit programs. Costs resulting from noninsured losses are charged to expense when incurred. The Company has purchased insurance that limits its exposure for individual workers' compensation claims up to $500,000. The Company has no limit on exposure for employee health claims, either individually or in the aggregate.

Subsequent Events

Subsequent events have been evaluated through April 18, 2018, which is the date the financial statements were available to be issued.

Note 2: Inventories

The major components of inventory at March 31, 2018 and 2017, were as follows:

	2018	2017
Meltables, hardeners and Logan inventory	$ 12,265,886	$ 10,705,942
Cost to cast ingot	6,464,434	5,159,811
Work in process	2,325,806	2,307,713
Finished goods	9,536,055	10,402,960
	$ 30,592,181	$ 28,576,426

Note 3: Property, Plant and Equipment

The property, plant and equipment used by Logan is owned by the Associates and is not included in Logan's financial statements. Logan's construction in progress represents property, plant and equipment acquired by Logan that has not yet been charged to the Associates. As the projects are completed, the costs are charged to the Associates based on the Associates' respective participation in each project.

Note 4: Income Taxes

The provision for income taxes includes these components:

	2018	2017
Taxes currently payable	$ 926,424	$ 8,499,550
Deferred income taxes	26,535,312	(8,111,004)
Income tax expense	$ 27,461,736	$ 388,546

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2018	2017
Computed at the statutory rate (30.8% and 34%)	$ 151,745	$ 170,000
Increase (decrease) resulting from		
Permanent differences	80,177	67,115
State income taxes and other	56,338	163,286
Federal tax credits	(11,902)	(11,855)
Impact of enacted changes in tax laws	27,185,378	-
Actual tax expense	$ 27,461,736	$ 388,546

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2018	2017
Deferred tax assets		
Accrued compensated absences and other	$ 1,533,313	$ 884,362
Accrued finance charges	606,852	616,176
Inventory obsolescence	2,970,642	4,261,807
Accrued workers' compensation claims	63,284	76,931
Accrued pension and postretirement benefits	65,224,385	88,784,692
Unamortized software expenses	320,618	535,864
	70,719,094	95,159,832
Deferred tax liabilities		
Depreciation of spare parts	(5,171,970)	(6,824,574)
Prepaid expenses	(199,276)	(194,405)
	(5,371,246)	(7,018,979)
Net deferred tax asset	$ 65,347,848	$ 88,140,853

On December 22, 2017, the U.S. enacted tax reform legislation through the TCJA, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of enactment of the legislation, the Company incurred additional one-time income tax expense of $27,185,378 during the third quarter of fiscal year 2018, primarily related to the remeasurement of certain deferred tax assets and liabilities.

Note 5: Accumulated Other Comprehensive Loss

The components of AOCL, included in stockholders' deficit, are as follows:

	2018	2017
Net defined benefit pension and OPEB plan deferred amounts	$ (89,601,929)	$ (72,790,024)
Tax effect	31,711,011	27,924,990
Net-of-tax amount	$ (57,890,918)	$ (44,865,034)

Note 6: Changes in Accumulated Other Comprehensive Loss by Component

Amounts reclassified from AOCL and the affected line items in the statements of operations and comprehensive income (loss) during the years ended March 31, 2018 and 2017, were as follows:

	Amounts Reclassified From AOCL		Affected Line Item in the Statements of Operations and Comprehensive Income (Loss)
	2018	2017	
Amortization of defined benefit pension items			
Prior service cost	$ 13,627	$ 28,208	Components are included in the computation of net periodic pension cost and presented in Note 7.
Actuarial loss	6,217,661	6,858,482	
Amortization of OPEB items			
Prior service credit	(391,308)	(391,308)	Components are included in the computation of net periodic OPEB cost and presented in Note 7.
Actuarial loss	1,787,728	1,880,530	
	7,627,708	8,375,912	Total reclassified amount before tax
	(2,700,952)	(3,218,444)	Tax benefit
Total reclassifications out of AOCL	$ 4,926,756	$ 5,157,468	

Note 7: Pension, Postretirement and Profit-Sharing Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan, which covers all employees hired before January 1, 2006. Defined pension plan benefits are based on years of service, the employee's highest average earnings during any three consecutive calendar year periods and the plan's benefit formula in effect at the time of termination or retirement. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to pay approximately $6,301,000 to the plan in fiscal year 2019.

The Company has noncontributory defined benefit postretirement health care and death benefit plans. Employees who retire either: (1) after age 55 with at least 10 years of service or (2) for employees hired before January 1, 2006, at any age with combined age and service of at least 75 years, are eligible for postretirement health care benefits up to age 65 and postretirement death benefits. For these two unfunded plans, the Company pays incurred benefit payments for the self-insured health care plan and monthly premiums for the insured death benefit plan. The Company expects to pay approximately $3,362,000 to these plans in fiscal year 2019.

The Company uses a March 31 measurement date for the plans. Information about the plans' funded status follows:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Benefit obligation	$ 353,780,437	$ 324,521,269	$ 127,429,109	$ 105,355,988
Fair value of plan assets	233,868,434	202,087,698	-	-
Funded status	$ (119,912,003)	$ (122,433,571)	$ (127,429,109)	$ (105,355,988)

Liabilities recognized in the balance sheets:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Accrued employee benefits	$ 119,912,003	$ 122,433,571	$ 127,429,109	$ 105,355,988

Amounts recognized in AOCL not yet recognized as components of net periodic benefit cost consist of:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Net actuarial loss	$ 52,841,226	$ 51,352,285	$ 37,593,642	$ 22,648,359
Prior service cost (credit)	15,144	28,771	(848,083)	(1,239,391)
	$ 52,856,370	$ 51,381,056	$ 36,745,559	$ 21,408,968

The accumulated benefit obligation for the defined benefit pension plan was $313,160,930 and $287,076,689 at March 31, 2018 and 2017, respectively.

Information for the pension plan with an accumulated benefit obligation in excess of plan assets follows:

	March 31, 2018	March 31, 2017
Projected benefit obligation	$ 353,780,437	$ 324,521,269
Accumulated benefit obligation	$ 313,160,930	$ 287,076,689
Fair value of plan assets	$ 233,868,434	$ 202,087,698

Other significant balances and costs are:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Employer contributions	$ 18,706,000	$ 1,500,000	$ 4,451,638	$ 3,175,916
Benefits paid	$ 8,486,777	$ 7,525,465	$ 4,506,085	$ 3,226,738
Components of net periodic benefit cost				
Service cost	$ 8,657,311	$ 8,130,056	$ 5,270,224	$ 4,698,928
Interest cost	13,948,238	13,424,840	4,521,524	4,133,130
Expected return on assets	(14,127,719)	(13,250,556)	-	-
Amortization of				
Prior service cost (credit)	13,627	28,208	(391,308)	(391,308)
Actuarial loss	6,217,661	6,858,482	1,787,728	1,880,530
Net periodic benefit cost	$ 14,709,118	$ 15,191,030	$ 11,188,168	$ 10,321,280

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Amounts arising during the period				
Actuarial (gain) loss	$ 7,706,602	$ (1,370,510)	$ 16,733,011	$ (1,378,074)
Amounts reclassified as components of net periodic cost of the period				
Actuarial loss	$ 6,217,661	$ 6,858,482	$ 1,787,728	$ 1,880,530
Net prior service cost (credit)	$ 13,627	$ 28,208	$ (391,308)	$ (391,308)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from AOCL into net periodic benefit cost over the next fiscal year are $6,687,798 and $5,413, respectively.

The estimated net loss and prior service cost (credit) for the postretirement plans that will be amortized from AOCL into net periodic benefit cost over the next fiscal year are $2,809,258 and $305,586, respectively.

Significant assumptions include:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Weighted-average assumptions used to determine benefit obligations				
Discount rate	4.07%	4.25%	4.03%	4.14%
Rate of compensation increase	3.50%	3.50%	n/a	n/a
Weighted-average assumptions used to determine benefit costs				
Discount rate	4.25%	4.27%	4.14%	4.06%
Expected return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	3.50%	3.50%	n/a	n/a

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 7.50% and 7.00% initial rate of increase in the per capita cost of covered health care benefits was assumed for 2018 and 2017, respectively. The 2018 rate was assumed to decrease 0.25% per year decreasing to 5.00% by the year 2028 and the 2017 rate was assumed to decrease 0.25% per year decreasing to 5.00% in 2026 and remain at those levels thereafter.

The investment policy of the plan is to invest the plan's assets with the objective of being able to meet current and future benefit payment needs while maximizing total investment returns within the constraints of a prudent level of portfolio risk and diversification. In accordance with the plan's investment policy, the plan's assets were 100% invested in master trust investment accounts. As of March 31, 2018, the master trust holdings include various collective trusts, which were invested approximately 38% in U.S. stocks, 16% in foreign stocks and 46% in fixed income instruments (U.S. government securities, corporate bonds, etc.).

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include investments in collective trust funds.

The fair values of the Company's pension plan assets at March 31, 2018 and 2017, by asset class are as follows:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2018				
Equity securities				
U.S. large cap	$ 69,676,728	$ -	$ 69,676,728	$ -
U.S. small/mid cap	18,497,591	-	18,497,591	-
International	38,303,349	-	38,303,349	-
Fixed income	107,390,766	-	107,390,766	-
Total	$ 233,868,434	$ -	$ 233,868,434	$ -
March 31, 2017				
Equity securities				
U.S. large cap	$ 62,389,684	$ -	$ 62,389,684	$ -
U.S. small/mid cap	17,749,929	-	17,749,929	-
International	32,313,157	-	32,313,157	-
Fixed income	89,634,928	-	89,634,928	-
Total	$ 202,087,698	$ -	$ 202,087,698	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of March 31, 2018:

	Pension Benefits	Other Postretirement Benefits
2019	$ 9,577,352	$ 3,361,901
2020	10,907,757	4,216,465
2021	12,162,952	5,159,259
2022	13,426,204	6,030,938
2023	14,710,638	7,057,572
2024–2028	91,182,086	45,800,017
Total	$ 151,966,989	$ 71,626,152

Savings and Retirement Plan

Logan participates in the Novelis Savings & Retirement plan, an affiliated company's plan, which is a defined contribution plan covering all employees meeting eligibility requirements. Logan makes biweekly contributions to the defined contribution plan, not to exceed Internal Revenue Code limitations. Contributions to the defined contribution plan for the years ended March 31, 2018 and 2017, were approximately $6,927,000 and $5,773,000, respectively.

Note 8: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Self-Insurance

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. The Company retains a significant portion of certain expected losses related primarily to workers' compensation and employee health liability.

Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred and totaled approximately $1,280,000 as of March 31, 2018. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements.

Pension and Other Postretirement Benefit Obligations

The Company has noncontributory defined benefit pension, postretirement health care and death benefits plans whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible events could occur that would change the estimated amount of this liability materially in the near term.

Investments (Pension Plan)

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying balance sheets.

Tennessee Valley Authority Agreement

The Company has an agreement with the Tennessee Valley Authority (TVA), which allows the Company to receive credits toward electricity purchases. The amount of the credit is determined annually and is based upon performance measures determined by the TVA. Effective November 25, 2013, the Company entered into a five-year agreement with the TVA which allows for total potential credits of approximately $24,400,000 over the five-year period.

The estimated amount of each annual award is being recognized into income straight line over the 12-month period in which the award is earned. During the years ended March 31, 2018 and 2017, the Company earned credits of approximately $4,874,000 and $4,776,000, respectively. At March 31, 2018 and 2017, the Company accrued a receivable of approximately $2,910,000 and $2,819,000, respectively.

Receivables

The Company's Associates comprised approximately 79% and 80%, respectively, of total receivables at March 31, 2018 and 2017.

Note 9: Commitments

Logan has an agreement with a supplier, which requires the supplier to provide electricity through September 11, 2019. The agreement may be terminated by either party with 29 months' notice. Under the terms of the agreement, Logan is to pay the variable monthly minimum payments between approximately $402,000 and $437,000, regardless of the quantities supplied. Electricity expense under such agreement for the years ended March 31, 2018 and 2017, was approximately $20,992,000 and $21,019,000, respectively.

Logan leases various equipment (primarily computer hardware and software) and a warehouse under operating leases. Rent expense for the years ended March 31, 2018 and 2017, was approximately $431,000 and $718,000, respectively.

The future minimum payments due under these commitments are:

	Leases	Electricity	Total
2019	$ 307,736	$ 4,967,631	$ 5,275,367
2020	101,384	4,967,631	5,069,015
2021	32,600	2,115,726	2,148,326
2022	32,600	-	32,600
2023	14,400	-	14,400
Later years	14,400	-	14,400
Total	$ 503,120	$ 12,050,988	$ 12,554,108

Note 10: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs

incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Company is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2019. The Company is in the process of evaluating the impact the standard will have on the financial statements.

Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

The FASB released its standard on how entities should record net periodic pension cost and net periodic postretirement benefit cost (net benefit cost) in the financial statements. The new standard will require employers to report the service cost component of the net benefit cost in the same financial statement line as other employee compensation costs arising from the pertinent employees during the period. The other components of benefit costs will be required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. There is no impact on the measurement of total pension expense as a result of this standard.

Nonpublic entities still have to disclose the total net periodic benefit costs recognized. The standard will also require the footnotes to disclose the total dollar amount of the components other than the service cost component and the income statement line item containing the other costs, if the amounts are not presented in a separate line item in the income statement (statement of activities/operations). The standard allows for capitalization of only the service cost component of net periodic pension costs, if applicable (for example, as a cost of internally manufactured inventory or production or construction of an asset such as property, plant and equipment). Other components of net benefit costs are prohibited from capitalization as part of an asset.

The new standard is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company is in the process of evaluating the impact the amendment will have on the financial statements.

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Independent Auditor's Report on Supplementary Information

Board of Directors
Logan Aluminum Inc.
Russellville, Kentucky

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in receivable from (liability to) Associates listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BKD, LLP

Bowling Green, Kentucky
April 18, 2018

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Supplementary Information

Logan Aluminum Inc.

Schedule of Changes in Receivable From (Liability to) Associates

Years Ended March 31, 2018 and 2017

	Tri-Arrow Aluminum Inc.	Novelis Inc.	Total
Receivable from Associates – April 1, 2016	$ (17,482,598)	$ 17,018,488	$ (464,110)
Cash advances from Associates	(331,059,177)	(236,133,806)	(567,192,983)
Processing costs and expenses charged to Associates	215,671,435	216,510,449	432,181,884
Capital costs charged to Associates, net	23,855,578	19,725,418	43,580,996
Other miscellaneous costs credited (charged) to Associates, net	(3,321,709)	2,190,587	(1,131,122)
Receivable from (liability to) Associates – March 31, 2017	(112,336,471)	19,311,136	(93,025,335)
Cash advances from Associates	(386,438,575)	(259,728,151)	(646,166,726)
Processing costs and expenses charged to Associates	221,244,036	235,018,211	456,262,247
Capital costs charged to Associates, net	186,802,402	29,715,403	216,517,805
Other miscellaneous costs credited (charged) to Associates, net	(3,597,102)	(1,990,821)	(5,587,923)
Receivable from (liability to) Associates – March 31, 2018	$ (94,325,710)	$ 22,325,778	$(71,999,932)