

Registration number: 00345279

AMG Chrome Limited

(formerly AMG Superalloys UK Limited)

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2021

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AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

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AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Company Information

Directors J M Dunckel
L M Scaife
E E Jackson
M D Haw
K Lawson

Company secretary E Webster

Registered office AMG Chrome Limited
Fullerton Road
Rotherham
South Yorkshire
S60 1DL

Auditors KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Solicitors DLA Piper UK LLP
1 St Paul's Place
Sheffield
S1 2JX

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Review of business

The Group Statement of Profit or Loss for the year is set out on page 17. Capital expenditure was \$3,111,000 (2020: \$3,427,000).

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

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$000 | \$000 |
| Revenue | 121,277 | 83,098 |
| Profit before tax before exceptionals | 8,611 | 770 |
| Total equity | 110,196 | 101,876 |
| EBITDA | 11,316 | 2,725 |
| Return on capital employed | 83.9% | 16.4% |

EBITDA is calculated in accordance with the ultimate parent company's guidelines on reporting actual performance. This is calculated as the operating profit add back depreciation and amortisation and excludes management services fees (Note 5), share based payment expense (Note 27) and exceptional items (Note 4). Return on capital employed is calculated using a two point average for capital employed based on the opening and closing balance sheet. Capital employed is calculated as shareholder funds less cash and cash pooling receivable.

The financial performance of AMG Chrome Limited has improved in 2021 as the company saw the market begin to recover from the pandemic. The order book began increasing from Q1 2021 and continued throughout the year as customers across the world increased demand again. AMG Alpoco UK Limited has seen a slower market recovery, with key product lines remaining much lower than pre pandemic performance. Overall sales revenues increased by \$38.2m, driven by AMG Chrome.

Overall the EBITDA profitability for the year increased by \$8.6m vs. 2020. This was impacted by the return of key markets and demand for premium products within AMG Chrome increasing again, which has continued into 2022.

AMG Alpoco UK Limited completed construction of a new aluminium granules facility at the Anglesey site in 2021, following delays due to the pandemic. Production at the Minworth site ceased in March 2021 and commenced at the new facility in May 2021, consolidating all aluminium production for AMG Alpoco at the Anglesey site. In addition to the provision included in 2020 relating to the closure of the Minworth site (\$520,000), a further \$20,000 provision has been included in exceptionals as at 31 December 2021 in relation to site dilapidation costs. The Minworth site was vacated in May 2022.

Return on capital employed increased to 83.9% as a result of the increase in profitability, which is more in line with 2019 performance (2019: 87.9%).

The Group's goal is to become a zero lost time incident workplace - we cannot accept that any incident is inevitable. We are pleased to report the lost time incident rate in 2021 was zero (2020: zero). Formal safety management systems continue to be important to achieving zero harm to employees and the Group is ISO 45001 certified.

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Strategic Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

The management of the business is subject to a number of risks. The key business risks affecting the Group are considered to relate to overseas competitors, currency exchange and metal price volatility.

Competition

The metals industry is highly competitive on a worldwide basis. Competition is primarily based on price, quality and timely delivery. In recent years, price competition has been strong as a result of excess capacity in certain products. In addition, export sales of metals and alloys from Russia and China produced in excess of local demand can adversely impact prices in Europe and the United States. New entrants may also increase competition in the metals industry, which could adversely affect the Group. Although facing competition in each of our markets, we do not believe that any single competitor competes in all of our products or markets.

Currency exchange and metal price volatility

The Group's functional currency is US Dollars. A significant proportion of the Group's raw material purchases and sales are in US Dollars. However, the Group has exposure to sales and purchases made in Sterling and sales made in Euros. The Group has developed policies to effectively manage its currency exposures and minimise the risks of currency fluctuations.

The Group has exposures to changes in metal prices. This includes metals that are priced on the London Metal Exchange. The Group monitors and manages its exposures on individual metals and has a hedging policy with the aim of minimising the risks of price fluctuations.

Customer risk

The Group is exposed to the risk of customers defaulting on trade debts or not performing on their contracts. The uncertainty in the economy over recent years compounds this risk as once sound companies may fail quickly because of existing leverage or lack of financing options. To mitigate this risk, the Group has set credit limits for its customers, which it closely monitors and acts accordingly should circumstances arise.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Group has banking facilities in place, in the event that further cash flow is required.

Directors' statement of compliance with duty to promote the success of the Group

All companies qualifying as large companies under the Companies Act 2006 are now required to disclose in their strategic report a 'section 172(1) statement'. The Directors are aware of their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

**AMG Chrome Limited
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Strategic Report for the Year Ended 31 December 2021 (continued)

Key decisions in the year and long term considerations in decisions

Key decisions require the initial approval of the UK based directors and then any significant proposal requires the approval of the Management Board or the Supervisory Board of the AMG Advanced Metallurgical Group NV depending on the significance of the proposal.

The focus of the board of directors when making decisions is ensuring that the company is sustainable for the long term. Each year the board of directors together with the senior management team spend a significant time developing and updating a 3 year business plan which is then presented to our shareholder with a detailed strategy of how the plan will be implemented.

Throughout the COVID 19 pandemic the company has had to balance the needs of customers and shareholders, whilst protecting the health of its employees. The company has taken a number of measures to secure the health, safety and the wellbeing of employees and the company will continue to monitor the COVID 19 situation closely & comply with latest government guidance.

In order to meet the 2020 business plan for AMG Alpoco UK Limited, a decision was approved to relocate all production to the Anglesey site, build a new aluminum granules production facility and close the facility at the leased site in Minworth. This would consolidate production and remove overheads from maintaining the leased site. Construction works began in mid 2020 at the Anglesey site but completion was delayed due to the pandemic. The new facility commenced commissioning in May 2021. Production at the Minworth site ceased in March 2021 and the site was closed and handed back to the landlord in May 2022 following site dilapidation work.

In January 2021 the company successfully put in place a new invoice discounting facility to replace the withdrawn facilities from a former banking partner. In June 2021 a new supplier financing programme was subsequently signed and implemented.

Capital expenditure requirements continue to be reviewed on a regular basis and new projects approved to meet the needs of the business and to adhere to health and safety requirements. In 2021 the company has received approval to expand its chrome powder capability.

Stakeholder engagement

The success of our business is dependent upon the support of all of our stakeholders. Building long term relationships with stakeholders that share our values is important to us and working together toward shared goals assists us in delivering long term sustainable growth and success.

The key stakeholders have been identified as suppliers, customers, employees and the shareholder.

(a) Our customers

AMG Chrome is a leading supplier of metallurgical products and the company is dedicated to providing high quality products with excellent customer service and technical support. Our aim is to build long term relationships with customers and to work with them collaboratively to develop new products to provide specific solutions to customer requirements and expand our range of products offered for the long term benefit of the business.

Our customers are located across the globe but we aim to visit or keep in contact with them regularly through direct contact or through our sales representatives located in their territories. We continuously seek feedback from our customers on how we can further improve our service and product offerings to them.

AMG Chrome Limited
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Strategic Report for the Year Ended 31 December 2021 (continued)

(b) Our suppliers

As a manufacturer we are heavily dependent on sourcing the correct quality raw materials from across the world for the most competitive price. We have established long term relationships with our suppliers to ensure that key raw materials and other supplies are secured whilst still obtaining value for money together good payment terms without the need for holding large levels of inventory. This is an example where we have to balance the interests of our shareholder to minimise working capital levels and having longer payment terms versus supplier objectives of desiring shorter payment terms.

Through our supplier charter we request confirmation that our suppliers comply with their local laws and regulations. In return we treat suppliers fairly and ensure we pay suppliers on time. Supplier payment practices are monitored by the board of directors. Significant purchases of raw materials require the approval of a director and payment terms are discussed as part of that approval. As the company is a large company it is required to report its payments practices on a six monthly basis and this reporting is reviewed and approved by the Finance Director with any issues identified requiring follow up.

(c) Our employees

Our employees are key to the success of the company and we want them to be successful individually and as a team. All employees receive appropriate induction and training plans for their role when they start with the company and we promote the ongoing development of employees to build their skills and capabilities to fulfil their potential.

In addition to fixed and variable compensation, we provide every employee with health benefits and the opportunity to join a defined contribution pension scheme to which the Company contributes double the employee's normal contribution.

A monthly internal team brief is distributed to all employees to ensure employees are kept informed on the current business climate, new product and customer opportunities, new capital expenditure projects, health and safety, employee wellbeing and new employee appointments.

An employee forum consisting of employee elected representatives and management representatives including one of the directors meets regularly to provide a further way to communicate latest business developments, seek direct feedback from employees across the business and identify areas to improve the business and employee welfare.

We also engage with the union and have set up a Partnership arrangement where the Managing Director and HR Manager meet up to review developments across the business and future changes to employee remuneration.

(d) Shareholders

AMG Chrome's board of directors are committed to openly engaging directly with the Management Board of AMG Advanced Metallurgical Group N.V. ('AMG') as representatives of the ultimate controlling party. Formally, the strategy and objectives of the company are communicated to AMG Advanced Metallurgical Group N.V. via our three year plan which is presented annually, regular reforecasts and twice yearly face to face Operations Meetings. Regular reporting and discussion on financial and operational performance also takes place. In 2020 due to travel restrictions meetings were replaced with video conferences, which has continued into 2021.

There is a no set dividend policy and the declaration and payment of a dividend is made after due consideration in discussion with the Management Board of AMG. The declaration of a dividend is weighed up against the impact it would have on liquidity and the company's ability to progress potential future projects.

AMG Chrome Limited
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Strategic Report for the Year Ended 31 December 2021 (continued)

Community and the environment

As a company we have a number of charities which we support whose causes are close to our heart. We also support employees if they are involved in charitable activities. We also sponsor local sports clubs to provide equipment and facilities.

We look to recruit from the local areas and partner with local organisations to establish apprenticeship programmes.

AMG Chrome aims to minimise the impact of our operations on the environment through good business practices with a commitment to:

- to reduce our impact on the environment. We continue to review our energy consumption and to seek to reduce our consumption through initiatives including regular monitoring of energy consumption, switching to LED lighting, shutdown procedures, replacement of energy inefficient equipment in the manufacturing processes.
- continually making improvements through our ISO14001 certified environment management systems to reduce, reuse and recycle waste products generated during our manufacturing processes. We work collaboratively with our suppliers and partners to identify new innovative uses for our waste products.

In 2021 the company was awarded a gold EcoVadis rating, this is an evaluation of how well a company has integrated the principles of sustainability & corporate social responsibility into their business and management system.

Health and safety

Health and safety is the number one priority of the business. It is our responsibility to ensure that we provide and promote a healthy, safe and secure environment for our employees, suppliers and contractors.

The board of directors maintain a strategic oversight, discussing key topics and receiving weekly updates and regular reports from the company's Health and Safety Manager. Key Health and Safety performance indicators are reported to our shareholder on a monthly basis and in person on a six monthly basis. The Managing Director takes responsibility for the implementation of our Health and Safety policies.

When accidents occur across the AMG group, a safety alert is sent out to all AMG subsidiaries so that findings and learnings are disseminated and at a local company level we can respond and improve our processes where necessary.

Business ethics and modern slavery

AMG Chrome is committed to high standards of business conduct and integrity. Honesty, integrity and accountability are the foundation upon which the AMG Advanced Metallurgical Group NV is built. There is a formal AMG code of business conduct that all employees must abide by. The AMG Code of Business Conduct serves to guide the actions of all employees and it should be used as a tool to help employees to make the right decisions and resolve ethical issues that they may encounter. If employees are concerned there is a speak up and reporting procedure in place.

All new employees receive information on the code of business conduct and employees are expected to complete training in respect of this. The level of training is dependent upon the employee's role. In 2021 employees received further online training on respect in the workplace and diversity and inclusion.

The corporate criminal offence legislation is now fully embedded into our policies and systems. The tax committee comprising of representatives from commercial, supply chain, shipping, finance, payroll and HR meets up on a quarterly basis to provide ongoing monitoring, regular review of the tax risk register and implement further improvements to minimise tax risks.

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Strategic Report for the Year Ended 31 December 2021 (continued)

The company recognises the importance of respecting the human rights of all our stakeholders including our employees, our suppliers and the wider community they we operate in. Our commitment is reflected in our code of business conduct.

The company has systems in place to combat slavery and human trafficking and ensure that this is not taking place anywhere within or supply chain. We require suppliers, contractors and business partners to adhere to the principles in our Supplier Charter which they must sign up to. Our Modern slavery statement can be found on our website (www.amg-s.com).

Emphasis is placed on partnering with suppliers classified as high risk and educating them on what actions could be put into place to improve their rating and in so doing reducing the risk of modern slavery. A programme of supplier audits is in place to verify information given to us as part of the supplier assessment process. This is initially done as a desktop exercise and where necessary visits are done to suppliers across the world to support this audit process.

AMG Chrome abides by a number of other essential policies such as those concerning anti bribery and anti corruption, antitrust and competition law. In the UK we have a local compliance officer reporting to the group's Chief Compliance Officer, who reports directly to the Chairman of the Management Board of the AMG Group. Along with a network of local compliance officers around the AMG Group, the AMG Chrome local compliance officer is responsible for ensuring adherence to policies through monitoring and improvement of policy promotion and implementation. They also coordinate comprehensive ethics training programs for all AMG staff, as AMG highly values continued learning and improvement of knowledge in this area.

COVID-19

Protecting the health and safety of employees has been a top priority for AMG Chrome. Since the outbreak of the COVID 19 pandemic in February 2020, the company has taken a number of measures to secure the health, safety and the wellbeing of employees and the company will continue to monitor the COVID 19 situation closely and continuing to comply with the latest government guidance.

Measures have included suspending all travel and attendance at any gatherings or events, minimizing face to face meetings, limiting visitor access to the sites to business essential support, encouraging remote work whenever possible, imposing isolation for employees as needed and implementing social distancing on our sites. These measures have meant that our employees have remained safe.

The global economic slowdown and overall market uncertainty caused by COVID 19 has continues to impact the financial performance of its subsidiary, AMG Alpoco UK Limited. AMG Alpoco UK Limited has seen a slower market recovery, with key product lines remaining much lower than pre pandemic performance.

Carbon & Energy Reporting

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, large unquoted companies are now obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their annual reports. The following disclosure only includes information relating to AMG Chrome Limited and excludes AMG Alpoco UK Limited as this entity does not meet the definition of 'large' and would not be obliged to include this reporting on its own account.

The Company elected to choose the year ended 31 December 2020 as its base reporting year.

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Strategic Report for the Year Ended 31 December 2021 (continued)

UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021 and comparative with the prior year:

| | 2021 | 2020 |
|--|--------------|--------------|
| Scope 1 emissions (tonnes CO2e) | 839 | 1,030 |
| Scope 2 emissions (tonnes CO2e) | 2,182 | 2,723 |
| Scope 3 emissions (tonnes CO2e) | 7 | 2 |
| Total scope 1,2 and 3 emissions (tonnes CO2e) | 3,028 | 3,755 |
| Green tariff (tonnes CO2e) | (2,182) | (2,723) |
| Total annual net emissions (tonnes CO2e) | 845 | 1,032 |
| Intensity ratio (tonnes CO2e/production tonnes) | 0.074 | 0.117 |
| Absolute energy use (kWh thousand) | 14,792 | 17,197 |

Notes:

- (1) Scope 1: Direct GHG Emissions - this includes natural gas, production gases, fuel for company owned vehicles and solid fuels used in production
Scope 2: Energy Indirect Emissions - this includes purchase of electricity, heat, steam and cooling purchased for own use
Scope 3: Other Indirect Emissions - this includes fuel for employee vehicles used for business purposes
- (2) Scope 1 includes emissions from process fuels such as graphite electrodes and charcoal. These process fuel emissions have not been converted to kWh and so are not included in the consumption figures above
- (3) Emissions are reported as carbon dioxide equivalent (tCO2e) and have been calculated using UK Government GHG Conversion Factors for Company Reporting (Year 2021, Expiry 31/07/2022, Version 2.0)

Green Tariffs

Since October 2018, the Company has purchased renewable tariff electricity. 100% of the electricity we procure from our supplier is backed by recognised certification schemes (i.e. Renewable Energy Guarantees of Origin (REGOs)), which provide evidence that the energy is from appropriately accredited renewable sources.

Methodologies

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's GHG Conversion Factors for Company Reporting.

Intensity measurement

The company has adopted total CO2e tonnes consumed per tonne of production as its key intensity ratio.

**AMG Chrome Limited
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Strategic Report for the Year Ended 31 December 2021 (continued)

Measures taken to improve energy efficiency

During the year, the energy efficiency actions taken by the company included:

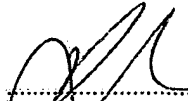
- Completion of 3 compressor changes
- Replacement of the most critical switchgear and transformer on site

All new capex projects are also required to be justified from an energy efficiency perspective, which requires Director approval.

The potential energy saving projects being considered for the year commencing 1st January 2022 include:

- Modifications to gas pot drier programmes: Expected reduction of 15% gas usage
- Continuation of the rolling programme of replacing old transformers and switchgear
- Converting our forklift truck fleet to lithium ion electric from diesel
- Rolling programme to replace all metal halide lights to LED

Approved by the Board on 22 September 2022 and signed on its behalf by:


.....
K. Lawson
Director

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the consolidated financial statements for the year ended 31 December 2021.

Change of company name

The Company changed its name from AMG Superalloys UK Limited to AMG Chrome Limited effective from 11 May 2022.

Principal activity

The principal activity of the Group is the manufacturing and merchandising of metallurgical products.

Profit and dividends

The profit for the year, after taxation, amounted to \$5,144,000 (2020: loss \$767,000).

The total distribution of dividends for the year ended 31 December 2021 will be \$nil. The directors recommend no final dividend be paid in respect of the year ended 31 December 2021. The total distribution of dividends for the year ended 31 December 2020 was \$nil.

Directors' of the group

The directors, who held office during the year, were as follows:

J M Dunckel

L M Scaife

E E Jackson

M D Haw

K Lawson

D R Shea (ceased 26 October 2021)

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Political contribution

The Group made no political contribution during the period (2020: \$nil).

Financial instruments

The Group views derivative financial instruments as risk management tools and does not use them for trading or speculative purposes. The Group uses forward contracts to manage certain foreign currency and commodity price exposures. Further detail on the Group's derivative financial instruments is included in the notes to the accounts.

Research and development activities

The Group undertakes research and development activities. The Group continues to invest in product development projects, with the aim of improving the Group's profitability and its market share in key areas of the business.

Disclosure of information to the auditor

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

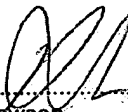
**AMG Chrome Limited
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Directors' Report for the Year Ended 31 December 2021 (continued)

Reappointment of auditors

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 22 September 2022 and signed on its behalf by:


.....
K Lawson
Director

**AMG Chrome Limited
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Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent Auditor's Report to the Members of AMG Chrome Limited

Opinion

We have audited the financial statements of AMG Chrome Limited ("the company") for the year ended 31 December 2021, which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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Independent Auditor's Report to the Members of AMG Chrome Limited
(continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Group's high level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue with a corresponding entry to unusual accounts and those posted to cash and loans with a corresponding entry to unusual accounts.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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Independent Auditor's Report to the Members of AMG Chrome Limited
(continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

**AMG Chrome Limited
(formerly AMG Superalloys UK Limited)**

**Independent Auditor's Report to the Members of AMG Chrome Limited
(continued)**

Responsibilities of directors

As explained more fully in their statement, set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

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.

Claire Gallimore

.....
Claire Gallimore (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 September 2022

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2021

| | Note | 2021 \$ 000 | 2020 \$ 000 |
|----------------------------|------|------------------|-----------------|
| Revenue | 3 | 121,277 | 83,098 |
| Cost of sales | | <u>(107,848)</u> | <u>(78,360)</u> |
| Gross profit | | 13,429 | 4,738 |
| Other operating income | | 16 | 32 |
| Administrative expenses | | (5,948) | (5,330) |
| Exceptional items | 4 | <u>(20)</u> | <u>(1,087)</u> |
| Operating profit/(loss) | 5 | 7,477 | (1,647) |
| Finance income | 6 | 1,731 | 1,923 |
| Finance costs | 6 | <u>(617)</u> | <u>(593)</u> |
| Profit/(loss) before tax | | 8,591 | (317) |
| Income tax expense | 9 | <u>(3,447)</u> | <u>(450)</u> |
| Profit/(loss) for the year | | <u>5,144</u> | <u>(767)</u> |

The above results were derived from continuing operations.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

**Consolidated Statement of Comprehensive Income for the Year Ended 31
December 2021**

| | Note | 2021 \$ 000 | 2020 \$ 000 |
|---|------|----------------|----------------|
| Profit/(loss) for the year | | <u>5,144</u> | <u>(767)</u> |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement of defined benefit pension schemes | 21 | 3,260 | 818 |
| Tax relating to items that will not be reclassified | | <u>1,234</u> | <u>423</u> |
| | | <u>4,494</u> | <u>1,241</u> |
| Items that may be reclassified subsequently to profit or loss | | | |
| Derivatives | | (1,460) | 603 |
| Current tax relating to fair value on derivatives | | (5) | (63) |
| Deferred tax relating to fair value on derivatives | | (7) | (65) |
| Share based payment expense | | <u>154</u> | <u>(12)</u> |
| | | <u>(1,318)</u> | <u>463</u> |
| Total comprehensive income for the year | | <u>8,320</u> | <u>937</u> |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

(Registration number: 00345279)

Consolidated Statement of Financial Position as at 31 December 2021

| | | 31 December 2021 \$ 000 | 31 December 2020 \$ 000 |
|-------------------------------|------|-------------------------------|-------------------------------|
| | Note | | |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 488 | 467 |
| Goodwill | 10 | 1,510 | 1,510 |
| Property, plant and equipment | 11 | 15,570 | 15,096 |
| Deferred tax assets | 9 | 1,308 | 2,205 |
| | | <u>18,876</u> | <u>19,278</u> |
| Current assets | | | |
| Inventories | 13 | 23,276 | 19,052 |
| Trade and other receivables | 14 | 120,564 | 97,422 |
| Financial instruments | 20 | 507 | 1,998 |
| Cash and cash equivalents | 15 | 2,687 | 1,389 |
| | | <u>147,034</u> | <u>119,861</u> |
| Total assets | | <u>165,910</u> | <u>139,139</u> |

The notes on pages 27 to 73 form an integral part of these financial statements.
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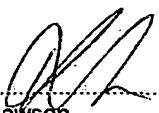
AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

(Registration number: 00345279)

Consolidated Statement of Financial Position as at 31 December 2021
(continued)

| | | 31 December 2021 \$ 000 | 31 December 2020 \$ 000 |
|--|------|-------------------------------|-------------------------------|
| | Note | | |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 16 | 30,698 | 30,698 |
| Capital redemption reserve | | 25,000 | 25,000 |
| Share based payment reserve | | 1,752 | 1,598 |
| Other reserves | | (18,630) | (21,652) |
| Retained earnings | | 71,376 | 66,232 |
| Equity attributable to owners of the company | | <u>110,196</u> | <u>101,876</u> |
| Non-current liabilities | | | |
| Provisions | 21 | 5,191 | 11,242 |
| Deferred tax liabilities | 9 | 1,689 | 1,075 |
| | | <u>6,880</u> | <u>12,317</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | 47,377 | 24,105 |
| Corporation tax liability | | - | 217 |
| Financial instruments | 20 | 1,457 | 624 |
| | | <u>48,834</u> | <u>24,946</u> |
| Total liabilities | | <u>55,714</u> | <u>37,263</u> |
| Total equity and liabilities | | <u>165,910</u> | <u>139,139</u> |

The financial statements were approved by the Board on 22 September 2022 and signed on its behalf by:


 K Lawson
 Director

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

(Registration number: 00345279)
Statement of Financial Position as at 31 December 2021

| | Note | 31 December 2021 \$ 000 | 31 December 2020 \$ 000 |
|--------------------------------|------|-------------------------------|-------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 476 | 454 |
| Goodwill | 10 | 1,510 | 1,510 |
| Property, plant and equipment | 11 | 11,115 | 11,119 |
| Investments | 12 | 2,219 | 2,219 |
| Deferred tax | 9 | 1,287 | 2,026 |
| | | <u>16,607</u> | <u>17,328</u> |
| Current assets | | | |
| Inventories | 13 | 20,803 | 16,024 |
| Trade and other receivables | 14 | 107,954 | 87,794 |
| Financial instruments | | 507 | 1,998 |
| Cash and cash equivalents | 15 | 1,906 | 1,062 |
| | | <u>131,170</u> | <u>106,878</u> |
| Total assets | | <u>147,777</u> | <u>124,206</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 16 | 30,698 | 30,698 |
| Capital redemption reserve | | 25,000 | 25,000 |
| Share based payment reserve | | 1,752 | 1,598 |
| Other reserves | | (18,754) | (21,278) |
| Retained earnings | | 66,498 | 60,947 |
| Total equity | | <u>105,194</u> | <u>96,965</u> |
| Non-current liabilities | | | |
| Pension liability | | 5,191 | 10,664 |
| Deferred tax | 9 | 1,498 | 1,018 |
| | | <u>6,689</u> | <u>11,682</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | 34,437 | 14,935 |
| Financial instruments | | 1,457 | 624 |
| | | <u>35,894</u> | <u>15,559</u> |
| Total liabilities | | <u>42,583</u> | <u>27,241</u> |
| Total equity and liabilities | | <u>147,777</u> | <u>124,206</u> |

The notes on pages 27 to 73 form an integral part of these financial statements.
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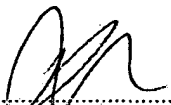
AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

(Registration number: 00345279)
Statement of Financial Position as at 31 December 2021 (continued)

AMG Chrome Limited has elected to take exemption under Section 408 of the Companies Act 2006 not to present the Company Statement of Comprehensive Income. The profit of the Company for the year is as follows:

| | 2021 | 2020 |
|---------------------|---------------|---------------|
| | \$ 000 | \$ 000 |
| Profit for the year | <u>5,551</u> | <u>3,323</u> |

The financial statements were approved by the Board on 22 September 2022 and signed on its behalf by:


.....
K Lawson
Director

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

| | Share capital \$ 000 | Capital redemption reserve \$ 000 | Share based payment reserve \$ 000 | Accumulated other comprehen- sive income \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|--|----------------------------|--|--|--|--------------------------------|-----------------|
| At 1 January 2021 | 30,698 | 25,000 | 1,598 | (21,652) | 66,232 | 101,876 |
| Profit for the year | - | - | - | - | 5,144 | 5,144 |
| Actuarial losses on defined benefit schemes | - | - | - | 3,260 | - | 3,260 |
| Fair value movements on derivative financial instruments | - | - | - | (1,460) | - | (1,460) |
| Tax effect of amounts in other comprehensive income | - | - | - | 1,222 | - | 1,222 |
| Share based payment expense | - | - | 154 | - | - | 154 |
| Total comprehensive income | - | - | 154 | 3,022 | 5,144 | 8,320 |
| At 31 December 2021 | <u>30,698</u> | <u>25,000</u> | <u>1,752</u> | <u>(18,630)</u> | <u>71,376</u> | <u>110,196</u> |

| | Share capital \$ 000 | Capital redemption reserve \$ 000 | Share based payment reserve \$ 000 | Accumulated other comprehen- sive income \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|--|----------------------------|--|--|--|--------------------------------|-----------------|
| At 1 January 2020 | 30,698 | 25,000 | 1,610 | (23,368) | 66,999 | 100,939 |
| Loss for the year | - | - | - | - | (767) | (767) |
| Actuarial losses on defined benefit schemes | - | - | - | 818 | - | 818 |
| Fair value movements on derivative financial instruments | - | - | - | 603 | - | 603 |
| Tax effect of amounts in other comprehensive income | - | - | - | 295 | - | 295 |
| Share-based payment expense | - | - | (12) | - | - | (12) |
| Total comprehensive income | - | - | (12) | 1,716 | (767) | 937 |
| At 31 December 2020 | <u>30,698</u> | <u>25,000</u> | <u>1,598</u> | <u>(21,652)</u> | <u>66,232</u> | <u>101,876</u> |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Statement of Changes in Equity for the Year Ended 31 December 2021

| | Share capital \$ 000 | Capital redemption reserve \$ 000 | Share based payment reserve \$ 000 | Accumulated other comprehen- sive income \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|--|----------------------------|--|--|--|--------------------------------|-----------------|
| At 1 January 2021 | 30,698 | 25,000 | 1,598 | (21,278) | 60,947 | 96,965 |
| Profit for the year | - | - | - | - | 5,551 | 5,551 |
| Actuarial losses on defined benefit schemes | - | - | - | 2,639 | - | 2,639 |
| Fair value movements on derivative financial instruments | - | - | - | (1,460) | - | (1,460) |
| Tax effect of amounts in other comprehensive income | - | - | - | 1,345 | - | 1,345 |
| Share based payment expense | - | - | 154 | - | - | 154 |
| Total comprehensive income | - | - | 154 | 2,524 | 5,551 | 8,229 |
| At 31 December 2021 | <u>30,698</u> | <u>25,000</u> | <u>1,752</u> | <u>(18,754)</u> | <u>66,498</u> | <u>105,194</u> |

| | Share capital \$ 000 | Capital redemption reserve \$ 000 | Share based payment reserve \$ 000 | Accumulated other comprehen- sive income \$ 000 | Retained earnings \$ 000 | Total \$ 000 |
|--|----------------------------|--|--|--|--------------------------------|-----------------|
| At 1 January 2020 | 30,698 | 25,000 | 1,610 | (22,841) | 57,624 | 92,091 |
| Profit for the year | - | - | - | - | 3,323 | 3,323 |
| Actuarial losses on defined benefit schemes | - | - | - | 646 | - | 646 |
| Fair value movements on derivative financial instruments | - | - | - | 603 | - | 603 |
| Tax effect of amounts in other comprehensive income | - | - | - | 314 | - | 314 |
| Share based payment expense | - | - | (12) | - | - | (12) |
| Total comprehensive income | - | - | (12) | 1,563 | 3,323 | 4,874 |
| At 31 December 2020 | <u>30,698</u> | <u>25,000</u> | <u>1,598</u> | <u>(21,278)</u> | <u>60,947</u> | <u>96,965</u> |

The notes on pages 27 to 73 form an integral part of these financial statements.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

| | Note | 2021 \$ 000 | 2020 \$ 000 |
|--|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit/(loss) for the year | | 5,144 | (767) |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation | 5 | 2,529 | 2,393 |
| Amortisation | 5 | 35 | 36 |
| Finance income | 6 | (1,731) | (1,923) |
| Finance costs | 6 | 617 | 593 |
| Share-based payment expense | | 244 | 36 |
| Net gain arising on financial liabilities designated as at fair value through profit or loss | | (2,675) | (1,267) |
| Income tax expense | 9 | 3,447 | 450 |
| | | 7,610 | (449) |
| Working capital adjustments | | | |
| Increase in inventories | 13 | (4,224) | (8,978) |
| (Increase)/decrease in trade and other receivables | 14 | (1,515) | 16,025 |
| Increase/(decrease) in trade and other payables | 18 | 20,385 | (8,009) |
| Cash generated from operations | | 22,256 | (1,411) |
| Income taxes paid | 9 | (1,087) | (660) |
| Interest paid | | (207) | (244) |
| Net cash flow from operating activities | | 20,962 | (2,315) |
| Cash flows from investing activities | | | |
| Acquisitions of property plant and equipment | | (3,111) | (3,427) |
| Proceeds from sale of property plant and equipment | | 4 | - |
| Acquisition of intangible assets | 10 | (56) | - |
| Net cash flows from investing activities | | (3,163) | (3,427) |
| Cash flows from financing activities | | | |
| Cash received from/(paid to) cash pooling arrangement | | (17,921) | 743 |
| Interest received | | 1,420 | 1,928 |
| Net cash flows from financing activities | | (16,501) | 2,671 |
| Net increase/(decrease) in cash and cash equivalents | | 1,298 | (3,071) |
| Cash and cash equivalents at 1 January | | 1,389 | 4,460 |
| Cash and cash equivalents at 31 December | | 2,687 | 1,389 |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Statement of Cash Flows for the Year Ended 31 December 2021

| | Note | 2021 \$ 000 | 2020 \$ 000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 5,551 | 3,323 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation | 5 | 2,143 | 1,892 |
| Amortisation | | 34 | 34 |
| Investment income | 5 | - | (4,000) |
| Finance income | 6 | (1,703) | (1,883) |
| Finance costs | 6 | 384 | 457 |
| Pension credit | | (2,725) | (1,324) |
| Performance stock unit expense | | 245 | 36 |
| Income tax expense | 9 | 3,521 | 459 |
| | | <u>7,450</u> | <u>(1,006)</u> |
| Working capital adjustments | | | |
| Increase in inventories | 13 | (4,779) | (7,780) |
| (Increase)/decrease in trade and other receivables | 14 | (2,235) | 17,381 |
| Increase/(decrease) in trade and other payables | 18 | 18,592 | (24,542) |
| Cash generated from operations | | 19,028 | (15,947) |
| Income taxes paid | 9 | (957) | (577) |
| Interest paid | | (193) | (202) |
| Net cash flow from operating activities | | <u>17,878</u> | <u>(16,726)</u> |
| Cash flows from investing activities | | | |
| Acquisitions of property plant and equipment | | (2,143) | (1,772) |
| Proceeds from sale of property plant and equipment | | 4 | - |
| Acquisition of intangible assets | 10 | (56) | - |
| Net cash flows from investing activities | | <u>(2,195)</u> | <u>(1,772)</u> |
| Cash flows from financing activities | | | |
| Dividend received | | - | 4,000 |
| Cash received from/(paid to) cash pooling arrangement | 6 | (16,434) | 9,649 |
| Interest received | | 1,595 | 1,968 |
| Net cash flows from financing activities | | <u>(14,839)</u> | <u>15,617</u> |
| Net increase/(decrease) in cash and cash equivalents | | 844 | (2,881) |
| Cash and cash equivalents at 1 January | | 1,062 | 3,943 |
| Cash and cash equivalents at 31 December | | <u>1,906</u> | <u>1,062</u> |

The notes on pages 27 to 73 form an integral part of these financial statements.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

Basis of preparation

The Consolidated and Company financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The consolidated financial statements have been prepared under the historical cost convention except for derivative financial instruments and liabilities for cash settled share based payment arrangement which are measured at fair value and the defined benefit asset/ liability which is measured at fair value of the plan assets less the present value of the defined obligation.

AMG Chrome Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00345279 and the registered address is Fullerton Road, Rotherham, South Yorkshire, S60 1DL.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The Group finances its working capital needs through its available cash balances (refer note 15) as well as the cash pooling facilities (refer note 24). The cash flow forecasts indicate that, even with taking account of a severe but plausible downside scenario on the operations and its financial resources, the Group will have sufficient funds to meet its liabilities as they fall due.

Under the various scenarios the directors have considered the following factors:

- Significant reduction in revenue due to reduced volume requirements / reduced demand;
- Raw material price increases being absorbed and not passed on to customers for a 3 month period;
- The invoice discounting facility per note 14 being revoked with no alternative replacement;
- The supplier finance facility revoked with no alternative replacement;
- Supplier terms being reduced by 2 months, resulting in more rapid cash outflows;
- Delayed payments from high profile customers, resulting in delayed collections;
- 1 month of no production with gradual or no catch up possible, and the resulting impact on revenue;
- Energy cost increase.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Although highly unlikely that all of these scenarios would occur simultaneously, the severe downside scenario has been prepared taking the impact of all of these scenarios together on the cashflow. The ability of the Company to remain as a going concern is dependent on the parent Company providing financial support through not restricting access to the cash pooling facilities invested by AMG Chrome Limited in terms of the cash pooling arrangement agreement in place, allowing the Company to maintain a strong cash position which is considered by the board sufficient to support the on going needs of the business.

As with any company placing reliance on financial support via a cash pooling arrangement with other group entities, the directors acknowledge that there can be no certainty that the cash deposited by AMG Chrome Limited will be available as and when necessary should the company require additional cash requirements. However, at date of approval of these financial statements, the directors have no reason to believe that these funds will not be available to the Group if required.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due until at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation

The Group financial statements include the results of the Company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of their acquisition or up to the date of their disposal. Intra group sales and profits are eliminated fully on consolidation.

Revenue recognition

The Group's contracts for goods sold typically contain a single performance obligation. The timing of when a customer obtains control over goods sold varies depending on the individual terms of the sales agreement. In satisfying the Group's performance obligation to its customers, transfer of control typically occurs when title and risk of loss pass to the customer. In the case of export sales, control of the goods sold may pass when the product reaches a foreign port. Invoices are generally issued according to contractual terms and are usually payable within 30-90 days. The transaction price of goods sold is typically based on contractual terms or market pricing and is not subject to variable consideration.

Where consignment stock arrangements are in place, revenue is recognised upon withdrawal from consignment by the customer or, where relevant, on expiry of fixed contractual term.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Development costs associated with the registration of substances relating to the Registration, Evaluation, Authorisation & Restriction of Chemicals (REACH) regime are capitalised as intangible assets as the expenditure is incurred. Costs include any testing and documentation costs, legal fees and registration costs associated with the registration of the substances.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. The costs are being amortised over 20 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| Asset class | Depreciation method and rate |
|---------------------|-------------------------------------|
| Freehold property | 4% |
| Plant and machinery | 10% |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

The Group leases out its own property. The Group has classified these leases as operating leases. Rental income is recognised on a straight line basis through the statement of profit or loss. Property on the main site is let to a fellow subsidiary.

Non derivative financial instruments

Non derivative financial instruments comprise trade and other receivables, cash and cash equivalents, investments in subsidiaries (1.10) and trade and other payables.

Trade and other receivables

Trade and other receivables are recorded at the invoiced amount. The Group provides an allowance for impairment for known and estimated potential losses arising from sales to customers based on a periodic review of these financial statements. When the Group is satisfied that no recovery of the amount is possible then the amount is written off against the trade receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of 90 days or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trade and other payables

Trade and other payables are accounted for at amortised cost.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Derivative financial instruments

The Group views derivative financial instruments as risk management tools and does not use them for trading or speculative purposes. The Group uses forward contracts to manage certain foreign currency and commodity price exposures. Such derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, all hedges are classified as cash flow hedges.

At the inception of a cash flow hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for the purpose of the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedge effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the statement of profit or loss.

Investments

Investments held as non current assets are stated at cost unless there is a permanent diminution in value in which case they are stated at the net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material and labour costs together with the relevant overheads on the basis of normal activity levels. Allowance is made for obsolete, slow moving or defective items where appropriate.

Inventories held under consignment arrangements are reviewed regularly in order to assess whether the substance of the arrangements is such that those inventories constitute assets which should be reflected in the statement of financial position.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position dates and any adjustment to tax payable in respect of previous periods.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and
- Differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Employee benefit costs

Defined contribution plan

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

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Defined benefit plan

The Company and its subsidiary, AMG Alenco UK Limited, participate in the AMG UK Group 2006 Pension Plan ('2006 Pension Plan') which includes a defined benefit arrangement. The defined benefit arrangement closed on 31 May 2006 to all members.

The Group's obligation in respect of defined pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service to the date of the scheme closure. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted to arrive at the net pension obligation or asset. The discount rate used is the yield at the statement of financial position date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The net obligation or asset recognised in the statement of financial position is the present value of the defined benefit obligation less the fair value of the plan assets.

The charge to the statement of profit or loss is allocated between an operating charge and net finance expense or income. The operating charge reflects the service cost which is spread systematically over the working lives of the employees. The net finance charge reflects the unwinding of the discount applied to the liabilities of the plan, offset by the expected return on the assets of the plan, based on conditions prevailing at the start of the year.

Actuarial valuations are carried out by an independent actuary as determined by the Trustees at intervals of not more than three years, to determine the rates of contribution payable. The pension cost is determined on the advice of the Group's actuary, having regard to the results of these Trustee valuations. In any intervening years, the actuaries review the continuing appropriateness of the contributions rates.

Foreign currencies

These financial statements are presented in US Dollars, which is the Group's functional and presentation currency and all amounts are rounded to the nearest thousand Dollars (\$000) except where otherwise indicated. The determination of functional currency is based on appropriate economic and management indicators.

Transactions denominated in foreign currencies are initially translated to dollars at the rates ruling at the dates of the transactions. Profits and losses on settlements during the year are recognised in the statement of profit or loss.

At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated to Dollars at the rate of exchange ruling at the statement of financial position date and the resultant exchange differences are recognised in the statement of profit or loss. The exchange rate as of 31 December 2021 was USD \$1 = £0.741.

For consolidation purposes the assets and liabilities of subsidiary undertakings and joint ventures are translated at the rate of exchange ruling at the statement of financial position date. Statements of profit or loss of such undertakings are translated at the average rate of exchange during the year. Exchange differences arising on the re translation of opening net assets are taken directly to reserves. All other translation differences are taken to the statement of profit or loss.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Other development expenditure is recognised in the statement of profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

More information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the statement of profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to the statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the statement of profit or loss in the period in which they become receivable.

The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Finance income and costs policy

Finance income comprises interest income on funds invested. Interest income is recognised as it is earned, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of profit or loss in the year in which they are incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Such costs are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Share based payments

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market and non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Provisions

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

- it is probable that an outflow of economic benefits will be required to settle the obligation.
- the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured; and

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

1 Accounting policies (continued)

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement; or
- the Group retains the right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

There are no critical judgements that have a significant effect on the amounts recognised in the financial statements. The key sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of defined benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions are reviewed at each reporting date. Due to the long term nature of these plans and the complexity of the valuations, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used and the sensitivity of assumptions are given in note 21.

Inventory provision

The Group has a policy of making provisions against slow moving inventories as follows:

- 0-1 years - no provision
- 1-2 years - 33% provision

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

- 2-3 years - 66% provision
- > 3 years - 100% provision

The directors consider this the best estimate to minimise the impact to the Group of slow moving stocks.

The Group has a policy of making provisions to value the inventory at the lower of cost and net realisable value. Where market conditions exist such that there is an indication products may require writing down to net realisable value. The products are reviewed on a product by product basis with the average inventory value and average net realisable value calculated and the relevant provision recorded.

The total inventory provision recorded as at 31 December 2021 was \$2,096,000 (2020: \$2,199,000) for the Group and \$1,962,000 (2020: \$2,014,000) for the Company.

3 Revenue

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker ("CODM"). The Company's CODM is deemed to be the Managing Director, who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM assesses profit performance using profit before taxation measured on a basis consistent with the disclosure in the Group accounts.

The Group reports on one reportable segment: The manufacture and merchandising of metallurgical products.

All Group revenues are received for the provision of goods; no revenues are received in relation to the provision of services.

Analysis of revenue by country of destination:

| | 2021 | 2020 |
|----------------|----------------|---------------|
| | \$ 000 | \$ 000 |
| United Kingdom | 20,601 | 15,845 |
| Rest of Europe | 29,121 | 27,626 |
| Rest of world | 71,555 | 39,627 |
| | <u>121,277</u> | <u>83,098</u> |

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

4 Exceptionals

| | 2021 | 2020 |
|----------------------------|---------------|---------------|
| | \$ 000 | \$ 000 |
| Restructuring | - | 567 |
| Provision for site closure | 20 | 520 |
| | <u>20</u> | <u>1,087</u> |

Restructuring

During the prior year a redundancy programme was conducted for a headcount reduction of 48 employees. The costs incurred for this programme were \$567,000.

Site closure

During the prior year a decision was made to close the Minworth site and relocate production to the Anglesey site. At 31 December 2020, a provision was made for \$520,000 relating to the planned redundancies and the costs associated with vacating the leased property.

An additional provision of \$20,000 was made in the current year relating to further site dilapidation costs.

5 Operating profit/(loss)

Arrived at after charging/(crediting)

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ 000 | \$ 000 |
| Cost of inventories recognised as expense | 58,288 | 47,832 |
| Depreciation expense | 2,529 | 2,393 |
| Amortisation expense | 35 | 36 |
| Government grants receivable | (16) | (32) |
| Auditor's remuneration - audit of these financial statements | 109 | 112 |
| Auditor's remuneration - audit of financial statements of subsidiaries | <u>42</u> | <u>26</u> |

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

6 Finance income and costs

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$ 000 | \$ 000 |
| Finance income | | |
| Interest on group cash pooling arrangements | 1,731 | 1,923 |
| Finance costs | | |
| Bank interest payable | 208 | 244 |
| Group interest | 293 | 108 |
| Interest on pension scheme liabilities | 116 | 241 |
| Total finance costs | <u>617</u> | <u>593</u> |
| Net finance income | <u>1,114</u> | <u>1,330</u> |

7 Staff costs

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

| | Group | | Company | |
|-----------------------|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Wages and salaries | 11,632 | 11,166 | 9,311 | 8,710 |
| Social security costs | 1,082 | 1,111 | 864 | 874 |
| Other pension costs | 1,576 | 1,451 | 1,334 | 1,195 |
| | <u>14,290</u> | <u>13,728</u> | <u>11,509</u> | <u>10,779</u> |

| | Group | | Company | |
|--------------------------|--------------|-------------|----------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Production | 164 | 188 | 118 | 134 |
| Sales and administration | 41 | 42 | 40 | 40 |
| | <u>205</u> | <u>230</u> | <u>158</u> | <u>174</u> |

8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ 000 | \$ 000 |
| Remuneration | 710 | 924 |
| Contributions paid to defined contribution schemes | 88 | 81 |
| Share-based payments | 247 | 51 |
| | <u>1,045</u> | <u>1,056</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

8 Directors' remuneration (continued)

There are 3 directors accruing benefits under a defined contribution scheme (31 December 2020: 3). K Lawson, L M Scaife and M D Haw are considered to have performed qualifying services and their remuneration is disclosed above as total remuneration for services to the AMG Advanced Metallurgical Group N.V. group. The directors do not believe that it is practicable to apportion this amount between services as directors of the Company and their services as directors of the holding and fellow subsidiary companies. These directors are being paid by AMG Chrome Limited.

E E Jackson, J M Dunckel and D R Shea are not considered to have performed qualifying services for the Group.

In respect of the highest paid director:

| | 2021 \$ 000 | 2020 \$ 000 |
|--|----------------|----------------|
| Remuneration | 530 | 529 |
| Company contributions paid to defined contribution schemes | <u>45</u> | <u>41</u> |

9 Income tax

Tax charged/(credited) in the statement of profit or loss

| | 2021 \$ 000 | 2020 \$ 000 |
|--|---------------------|-------------------|
| Current taxation | | |
| Current tax on profits for the year | 489 | (335) |
| Adjustments in respect of prior years | <u>219</u> | <u>62</u> |
| | <u>708</u> | <u>(273)</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | 1,458 | 278 |
| Adjustments in respect of prior years | (229) | 49 |
| Recognition of previously unrecognised deferred tax assets | <u>1,510</u> | <u>396</u> |
| Total deferred taxation | <u>2,739</u> | <u>723</u> |
| Tax expense in the statement of profit or loss | <u><u>3,447</u></u> | <u><u>450</u></u> |

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

9 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

| | 2021 \$ 000 | 2020 \$ 000 |
|--|----------------|----------------|
| Profit/(loss) before tax | <u>8,591</u> | <u>(317)</u> |
| Corporation tax at standard rate | 1,632 | (60) |
| Adjustments to tax charge in respect of prior periods | (10) | 111 |
| Increase from effect of expenses not deductible in determining taxable profit (tax loss) | 10 | 3 |
| Deferred tax expense relating to changes in tax rates or laws | 1,911 | 396 |
| Decrease from effects of super-deduction allowance | <u>(96)</u> | <u>-</u> |
| Total tax charge | <u>3,447</u> | <u>450</u> |
| Amounts recognised in other comprehensive income | | |
| | 2021 \$ 000 | 2020 \$ 000 |
| Current tax | | |
| Fair value remeasurement of hedging instruments entered into for cash flow hedges | (5) | (63) |
| Deferred tax | | |
| Fair value remeasurement of hedging instruments entered into for cash flow hedges | (7) | (65) |
| Remeasurement of defined benefit obligation | <u>1,234</u> | <u>423</u> |
| | <u>1,227</u> | <u>358</u> |
| | <u>1,222</u> | <u>295</u> |

Deferred tax

Group

Deferred tax assets and liabilities

| | Asset \$ 000 | Liability \$ 000 | Net deferred tax \$ 000 |
|--|-----------------|---------------------|-------------------------------|
| 2021 | | | |
| Revaluation of property, plant and equipment | - | (1,443) | (1,443) |
| Pension benefit obligations | 1,308 | - | 1,308 |
| Other items | - | (69) | (69) |
| Derivatives | - | (177) | (177) |
| | <u>1,308</u> | <u>(1,689)</u> | <u>(381)</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

9 Income tax (continued)

| | Asset \$ 000 | Liability \$ 000 | Net deferred tax \$ 000 |
|--|-----------------|---------------------|-------------------------------|
| 2020 | | | |
| Revaluation of property, plant and equipment | - | (875) | (875) |
| Pension benefit obligations | 2,136 | - | 2,136 |
| Other items | 69 | (30) | 39 |
| Derivatives | - | (170) | (170) |
| | <u>2,205</u> | <u>(1,075)</u> | <u>1,130</u> |

Deferred tax movement during the year:

| | At 1 January 2021 \$ 000 | Recognised in income \$ 000 | Recognised in other comprehensive income \$ 000 | At 31 December 2021 \$ 000 |
|--|--------------------------------|-----------------------------------|---|-------------------------------------|
| Revaluation of property, plant and equipment | (875) | (568) | - | (1,443) |
| Pension benefit obligations | 2,136 | (2,063) | 1,235 | 1,308 |
| Other items | 39 | (108) | - | (69) |
| Derivatives | (170) | - | (7) | (177) |
| Net tax assets/(liabilities) | <u>1,130</u> | <u>(2,739)</u> | <u>1,228</u> | <u>(381)</u> |

Deferred tax movement during the prior year:

| | At 1 January 2020 \$ 000 | Recognised in income \$ 000 | Recognised in other comprehensive income \$ 000 | At 31 December 2020 \$ 000 |
|--|--------------------------------|-----------------------------------|---|-------------------------------------|
| Revaluation of property, plant and equipment | (724) | (151) | - | (875) |
| Pension benefit obligations | 2,307 | (594) | 423 | 2,136 |
| Other items | 17 | 22 | - | 39 |
| Derivatives | (105) | - | (65) | (170) |
| Net tax assets/(liabilities) | <u>1,495</u> | <u>(723)</u> | <u>358</u> | <u>1,130</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

9 Income tax (continued)

Company

Deferred tax assets and liabilities

| | Asset | Liability | Net deferred |
|--|---------------|------------------|---------------------|
| | \$ 000 | \$ 000 | tax |
| 2021 | | | \$ 000 |
| Revaluation of property, plant and equipment | - | (1,251) | (1,251) |
| Pension benefit obligations | 1,287 | - | 1,287 |
| Derivatives | - | (177) | (177) |
| Other items | - | (70) | (70) |
| | <u>1,287</u> | <u>(1,498)</u> | <u>(211)</u> |
| | | | |
| | Asset | Liability | Net deferred |
| | \$ 000 | \$ 000 | tax |
| 2020 | | | \$ 000 |
| Revaluation of property, plant and equipment | - | (818) | (818) |
| Pension benefit obligations | 2,026 | - | 2,026 |
| Derivatives | - | (170) | (170) |
| Other items | - | (30) | (30) |
| | <u>2,026</u> | <u>(1,018)</u> | <u>1,008</u> |

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

9 Income tax (continued)

Deferred tax movement during the year:

| | At 1 January 2021 \$ 000 | Recognised in income \$ 000 | Recognised in other comprehensive income \$ 000 | At 31 December 2021 \$ 000 |
|--|--------------------------------|-----------------------------------|---|-------------------------------------|
| Revaluation of property, plant and equipment | (818) | (433) | - | (1,251) |
| Pension benefit obligations | 2,026 | (2,096) | 1,357 | 1,287 |
| Derivatives | (170) | - | (7) | (177) |
| Other items | (30) | (40) | - | (70) |
| Net tax assets/(liabilities) | <u>1,008</u> | <u>(2,569)</u> | <u>1,350</u> | <u>(211)</u> |

Deferred tax movement during the prior year:

| | At 1 January 2020 \$ 000 | Recognised in income \$ 000 | Recognised in other comprehensive income \$ 000 | At 31 December 2020 \$ 000 |
|--|--------------------------------|-----------------------------------|---|-------------------------------------|
| Revaluation of property, plant and equipment | (646) | (172) | - | (818) |
| Pension benefit obligations | 2,186 | (603) | 443 | 2,026 |
| Derivatives | (105) | - | (65) | (170) |
| Other items | 16 | (46) | - | (30) |
| Net tax assets/(liabilities) | <u>1,451</u> | <u>(821)</u> | <u>378</u> | <u>1,008</u> |

Changes in tax rates and factors affecting the future tax charges

In March 2021, the UK government announced a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023, which was substantively enacted on 24 May 2021.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

10 Intangible assets

Group

| | REACH \$ '000 | Goodwill \$ '000 | Total \$ '000 |
|--------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Cost or valuation | | | |
| At 1 January 2020 | 690 | 1,510 | 2,200 |
| At 31 December 2020 | 690 | 1,510 | 2,200 |
| At 1 January 2021 | 690 | 1,510 | 2,200 |
| Additions | 56 | - | 56 |
| At 31 December 2021 | 746 | 1,510 | 2,256 |
| Amortisation | | | |
| At 1 January 2020 | 187 | - | 187 |
| Amortisation charge | 36 | - | 36 |
| At 31 December 2020 | 223 | - | 223 |
| At 1 January 2021 | 223 | - | 223 |
| Amortisation charge | 35 | - | 35 |
| At 31 December 2021 | 258 | - | 258 |
| Carrying amount | | | |
| At 31 December 2021 | 488 | 1,510 | 1,998 |
| At 31 December 2020 | 467 | 1,510 | 1,977 |
| At 1 January 2020 | 503 | 1,510 | 2,013 |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

10 Intangible assets (continued)

| Company | REACH \$ 000 | Goodwill \$ 000 | Total \$ 000 |
|--------------------------|-------------------------|----------------------------|-------------------------|
| Cost or valuation | | | |
| At 1 January 2020 | 671 | 1,510 | 2,181 |
| At 31 December 2020 | 671 | 1,510 | 2,181 |
| At 1 January 2021 | 671 | 1,510 | 2,181 |
| Additions | 56 | - | 56 |
| At 31 December 2021 | 727 | 1,510 | 2,237 |
| Amortisation | | | |
| At 1 January 2020 | 183 | - | 183 |
| Amortisation charge | 34 | - | 34 |
| At 31 December 2020 | 217 | - | 217 |
| At 1 January 2021 | 217 | - | 217 |
| Amortisation charge | 34 | - | 34 |
| At 31 December 2021 | 251 | - | 251 |
| Carrying amount | | | |
| At 31 December 2021 | 476 | 1,510 | 1,986 |
| At 31 December 2020 | 454 | 1,510 | 1,964 |
| At 1 January 2020 | 488 | 1,510 | 1,998 |

Capitalised REACH costs relate to Registration, Evaluation, Authorisation & Restriction of Chemicals. The costs are being amortised over 20 years.

Goodwill is allocated to the Group's cash generating unit as follows:

AMG Chrome Limited:

The goodwill is allocated at a company level as the benefit derived impacts the business as a whole and is tested for impairment annually. For the impairment test for AMG Chrome's cash generating units, the recoverable amounts are the value in use. The value in use was determined using the discounted cash flow method in order to determine the present value of the cash flows. The pre-tax discount rate used to measure the value in use was an average of 9.84%. This is based on the Company's weighted average cost of capital adjusted to reflect management assessment of specific risks. Future cash flows have been based on the forecasts prepared for the next 3 years as part of the Company's annual budgeting process. These forecasts have been based on past experience and future expectations of customers and costs in light of the anticipated economic and market conditions.

In 2021 and 2020 the carrying amounts of AMG Chrome's units were determined to be lower than their recoverable amounts and no impairment losses were recognised.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

11 Property, plant and equipment

Group

| | Land and buildings \$ 000 | Plant and machinery \$ 000 | Total \$ 000 |
|--------------------------|--|---|-------------------------|
| Cost or valuation | | | |
| At 1 January 2020 | 18,637 | 57,116 | 75,753 |
| Additions | - | 3,427 | 3,427 |
| Disposals | - | (22) | (22) |
| At 31 December 2020 | 18,637 | 60,521 | 79,158 |
| At 1 January 2021 | 18,637 | 60,521 | 79,158 |
| Additions | 425 | 2,686 | 3,111 |
| Disposals | - | (4,397) | (4,397) |
| At 31 December 2021 | 19,062 | 58,810 | 77,872 |
| Depreciation | | | |
| At 1 January 2020 | 14,894 | 46,797 | 61,691 |
| Charge for year | 331 | 2,062 | 2,393 |
| Eliminated on disposal | - | (22) | (22) |
| At 31 December 2020 | 15,225 | 48,837 | 64,062 |
| At 1 January 2021 | 15,225 | 48,837 | 64,062 |
| Charge for the year | 335 | 2,194 | 2,529 |
| Eliminated on disposal | - | (4,289) | (4,289) |
| At 31 December 2021 | 15,560 | 46,742 | 62,302 |
| Carrying amount | | | |
| At 31 December 2021 | 3,502 | 12,068 | 15,570 |
| At 31 December 2020 | 3,412 | 11,684 | 15,096 |
| At 1 January 2020 | 3,743 | 10,319 | 14,062 |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

11 Property, plant and equipment (continued)

| Company | Land and buildings \$ 000 | Plant and machinery \$ 000 | Total \$ 000 |
|--------------------------|--|---|-------------------------|
| Cost or valuation | | | |
| At 1 January 2020 | 14,973 | 42,144 | 57,117 |
| Additions | - | 1,772 | 1,772 |
| Disposals | - | (22) | (22) |
| At 31 December 2020 | 14,973 | 43,894 | 58,867 |
| At 1 January 2021 | 14,973 | 43,894 | 58,867 |
| Additions | - | 2,143 | 2,143 |
| Disposals | - | (3,030) | (3,030) |
| At 31 December 2021 | 14,973 | 43,007 | 57,980 |
| Depreciation | | | |
| At 1 January 2020 | 12,057 | 33,821 | 45,878 |
| Charge for year | 293 | 1,599 | 1,892 |
| Eliminated on disposal | - | (22) | (22) |
| At 31 December 2020 | 12,350 | 35,398 | 47,748 |
| At 1 January 2021 | 12,350 | 35,398 | 47,748 |
| Charge for the year | 292 | 1,851 | 2,143 |
| Eliminated on disposal | - | (3,026) | (3,026) |
| At 31 December 2021 | 12,642 | 34,223 | 46,865 |
| Carrying amount | | | |
| At 31 December 2021 | 2,331 | 8,784 | 11,115 |
| At 31 December 2020 | 2,623 | 8,496 | 11,119 |
| At 1 January 2020 | 2,916 | 8,323 | 11,239 |

Securities

At 31 December 2021, the Group's property, plant and equipment are being pledged against financial loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

12 Investments

Group subsidiaries

Details of the group subsidiaries as at 31 December 2021 are as follows:

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held | |
|--------------------------------------|---------------------------------|---|---|------|
| | | | 2021 | 2020 |
| AMG Alpoco UK Limited | Manufacture of aluminium powder | c/o AMG Chrome Limited, Fullerton Road, Rotherham, S60 1DL England and Wales | 100% | 100% |
| AMG UK Group Pension Trustee Limited | Manufacture of aluminium powder | c/o AMG Chrome Limited, Fullerton Road, Rotherham, S60 1DL England and Wales | 100% | 100% |

13 Inventories

| | Group | | Company | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Raw materials | 4,508 | 3,637 | 3,653 | 3,571 |
| Merchanting inventory | 1,842 | 1,199 | 1,842 | 1,199 |
| Finished goods | 16,926 | 14,216 | 15,308 | 11,254 |
| | <u>23,276</u> | <u>19,052</u> | <u>20,803</u> | <u>16,024</u> |

The Group write down of inventories to net realisable value in year amounted to \$715,000 (2020 - \$1,056,000), and the provision charged for slow moving inventories in year amounted to \$1,372,000 (2020 - \$1,143,000).

The Company write down of inventories to net realisable value year amounted to \$615,000 (2020 - \$906,000), and the provision charged for slow moving inventories amounted to \$1,338,000 (2020 - \$1,108,000).

Securities

At 31 December 2021, the Group's inventories are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

14 Trade and other receivables

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Trade receivables | 15,943 | 12,143 | 13,851 | 11,290 |
| Amounts receivable in respect of cash pooling arrangements | 99,468 | 81,548 | 89,372 | 72,938 |
| Amounts due from group undertakings | 2,563 | 1,595 | 2,644 | 1,608 |
| Prepayments and accrued income | 1,716 | 1,439 | 1,370 | 1,261 |
| Corporation tax repayable | 874 | 697 | 717 | 697 |
| | <u>120,564</u> | <u>97,422</u> | <u>107,954</u> | <u>87,794</u> |

The carrying amount of trade receivables approximates their fair value. Trade receivables are non interest bearing and are generally on 30 to 90 day terms.

All amounts within trade and other receivables are expected to be recovered within 12 months.

Age of trade receivables that are past due but not impaired

| | Group | | Company | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Current - not yet due | 14,097 | 10,034 | 12,089 | 9,315 |
| 0 - 30 days | 1,862 | 1,709 | 1,778 | 1,607 |
| 31 to 60 days | 46 | 112 | 46 | 104 |
| More than 60 days | (25) | 366 | (25) | 335 |
| | <u>15,980</u> | <u>12,221</u> | <u>13,888</u> | <u>11,361</u> |

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

14 Trade and other receivables (continued)

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

Age of impaired trade receivables

| | Group | | Company | |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| 0 - 30 days | 12 | 16 | 12 | 14 |
| 31 to 60 days | 4 | 4 | 4 | 4 |
| More than 60 days | 21 | 58 | 21 | 53 |
| | <u>37</u> | <u>78</u> | <u>37</u> | <u>71</u> |

Factoring of Receivables

As of 31 December 2021, the Group had total receivables factored and outstanding of \$8,350 (2020: \$3,297,000). The Group sold receivables of \$49,889,000 (2020: \$44,083,000) through the year and incurred cost of \$232,000 (2020: \$189,000) in conjunction with the sales of these receivables of which \$92,000 (2020: \$95,000) were included in finance costs and \$140,000 (2020: \$94,000) were included in revenue. Under the facility, the Group continues to collect the receivables from the customer but retains no interest or risk in the receivables. Therefore, the Group has derecognised the receivables.

As of 31 December 2021, the Company had total receivables factored and outstanding of \$6,682,000 (2020: \$1,687,000). The Company sold receivables of \$42,857,000 (2020: \$28,557,000) through the year and incurred cost of \$201,000 (2020: \$126,000) in conjunction with the sales of these receivables of which \$78,000 (2020: \$65,000) were included in finance costs and \$123,000 (2020: \$61,000) were included in revenue. Under the facility, the Company continues to collect the receivables from the customer but retains no interest or risk in the receivables. Therefore, the Company has derecognised the receivables.

Securities

At 31 December 2021, the Group's receivables are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking.

15 Cash and cash equivalents

| | Group | | Company | |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Cash at bank | <u>2,687</u> | <u>1,389</u> | <u>1,906</u> | <u>1,062</u> |

Securities

At 31 December 2021, the Group's cash and cash equivalents are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Group's ultimate parent undertaking.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

16 Share capital

Authorised, issued and fully paid shares

| | 31 December 2021 | | 31 December 2020 | |
|-------------------------------|---------------------------------|---------------|---------------------------------|---------------|
| | No. | \$000 | No. | \$000 |
| Ordinary shares of £1.00 each | <u>16,000,000</u> | <u>30,698</u> | <u>16,000,000</u> | <u>30,698</u> |

The holders of the ordinary shares are entitled to one vote per share in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution.

17 Reserves

Capital redemption reserve

The capital reserve represents a capital contribution from the ultimate parent company which occurred as part of a group re financing process. This reserve is non-distributable.

Accumulated other comprehensive income

The accumulated other comprehensive income reserve represents the effective portion of gains or losses on cash flow hedges that are yet to mature, net of deferred tax and costs relating to the defined benefit pension scheme.

Share based payment reserve

The share based payment reserve comprises amounts recognised in respect of employee services in relation to the AMG Performance Share Unit Plan.

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

18 Trade and other payables

| | Group | | Company | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Trade creditors | 30,919 | 20,801 | 15,422 | 10,211 |
| Trade payables subject to interest | 12,644 | - | 12,644 | - |
| Accrued expenses | 2,145 | 2,116 | 1,776 | 1,510 |
| Amounts due to related parties | 1,223 | 789 | 4,149 | 2,831 |
| Social security and other taxes | 446 | 383 | 446 | 383 |
| Other payables | - | 16 | - | - |
| | <u>47,377</u> | <u>24,105</u> | <u>34,437</u> | <u>14,935</u> |

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

Trade payables are non interest bearing and are normally settled on 30 to 135 day terms. Trade payables subject to interest bear interest at 195 base points above USD LIBOR rate to further extend terms by a maximum of 93 days.

Government grants

In 2011 the Company's subsidiary received \$133,000 from the Welsh Assembly Government in relation to a capital project. A final receipt of \$126,000 was received during 2013 relating to the same project. The grant is being deferred over the expected remaining useful life of the asset at the time of receipt of the grant of 9 years.

Amounts totalling \$16,000 (2020: \$32,000) were credited to the statement of profit or loss during the year and included in other operating income.

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

19 Leases

Group - as a lessee

The Group has not entered into any leases in the year ended 31 December 2021.

The Group had no right of use assets at the 31 December 2021.

The following amounts in respect of leases have been recognised in profit or loss:

| | 31 December 2021 \$ 000 | 31 December 2020 \$ 000 |
|--|--|--|
| Expenses relating to leases of low value assets, excluding short term leases of low value assets | - | 3 |
| Expenses relating to short term leases | <u>66</u> | <u>105</u> |
| | <u>66</u> | <u>108</u> |

Group - as a lessor

AMG Chrome leases buildings to fellow group member AMG Aluminum UK Limited.

The following table summarises the undiscounted operating lease payments receivable after the reporting date.

| | 2021 \$ 000 | 2020 \$ 000 |
|-------------------------|------------------------|------------------------|
| Not later than one year | <u>-</u> | <u>235</u> |

Lease income from operating lease contracts in which the Group acts as a lessor is as below:

| | 2021 \$ 000 | 2020 \$ 000 |
|--------------|------------------------|------------------------|
| Lease income | <u>257</u> | <u>257</u> |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

20 Financial instruments

Fair values

Trade and other receivables

The directors believe that the fair value of trade and other receivables approximate to their carrying value. The present value of future cash flows are not discounted as the effect is not material.

Trade and other payables

The directors believe that the fair value of trade and other payables approximate to their carrying value. The present value of future cash flows are not discounted as the effect is not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying value where the cash is repayable on demand.

Derivative financial instruments

Derivative currency and commodity contracts are based on observable forward exchange rates and commodity prices respectively.

Financial instruments by category

Set out below is an analysis by category of the carrying amounts and fair values of all of the Group and Company's financial instruments.

Group

| | Carrying value 2021 | Fair value 2021 | Carrying value 2020 | Fair value 2020 |
|--|------------------------|--------------------|------------------------|--------------------|
| | \$000 | \$000 | \$000 | \$000 |
| Current financial assets | | | | |
| Financial asset at amortised cost | | | | |
| Trade and other receivables | 120,280 | 120,280 | 95,983 | 95,983 |
| Bank and cash balances | 2,687 | 2,687 | 1,389 | 1,389 |
| Derivatives | | | | |
| Used for hedging | 507 | 507 | 1,998 | 1,998 |
| Total financial assets | <u>123,474</u> | <u>123,474</u> | <u>99,370</u> | <u>99,370</u> |
| Current financial liabilities | | | | |
| Liabilities at amortised cost | | | | |
| Trade and other payables | 47,608 | 47,608 | 23,706 | 23,706 |
| Derivatives | | | | |
| Used for hedging | 1,457 | 1,457 | 624 | 624 |
| Total financial liabilities | <u>49,065</u> | <u>49,065</u> | <u>24,330</u> | <u>24,330</u> |

AMG Chrome Limited
(formerly AMG Superalloys UK Limited)

Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

20 Financial instruments (continued)

Company

| | Carrying value 2021 \$000 | Fair value 2021 \$000 | Carrying value 2020 \$000 | Fair value 2020 \$000 |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Current financial assets: | | | | |
| Financial asset at amortised cost | | | | |
| Trade and other receivables | 107,954 | 107,954 | 86,533 | 86,533 |
| Bank and cash balances | 1,906 | 1,906 | 1,062 | 1,062 |
| Derivatives | | | | |
| Used for hedging | 507 | 507 | 1,998 | 1,998 |
| Total financial assets | <u>110,367</u> | <u>110,367</u> | <u>89,593</u> | <u>89,593</u> |
| Current financial liabilities: | | | | |
| Liabilities at amortised cost | | | | |
| Trade and other payables | 34,458 | 34,458 | 14,552 | 14,552 |
| Derivatives | | | | |
| Used for hedging | 1,457 | 1,457 | 624 | 624 |
| Total financial liabilities | <u>35,915</u> | <u>35,915</u> | <u>15,176</u> | <u>15,176</u> |

Valuation of financial instruments - Fair value hierarchy

As at 31 December the Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation methodology.

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The analysis of the financial instruments into the fair value hierarchy is analysed as follows:

AMG Chrome Limited
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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

20 Financial instruments (continued)

| | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------|---------|---------|
| | \$000 | \$000 | \$000 |
| 31 December 2021 | | | |
| Current financial assets | | | |
| Forward contracts - hedged | - | 507 | - |
| Current financial liabilities | | | |
| Forward contracts - hedged | - | 1,457 | - |
| 31 December 2020 | | | |
| Current financial assets | | | |
| Forward contracts - hedged | - | 1,998 | - |
| Current financial liabilities | | | |
| Forward contracts - hedged | - | 624 | - |

During the year ended 31 December 2020, and 2019, there were no transfers between level 1, level 2 and level 3 fair value measurements.

Commodity forward contracts

The Group is exposed to volatility in the prices of raw materials used in its products and uses commodity forward contracts to minimise these exposures. Such contracts generally mature within 12 months with any effect to the income statement recognised in this period. Commodity forward contracts have been designated as cash flow hedges.

The open commodity forward contracts as at 31 December 2021 are as follows:

| | Metric tonnes | Average price per tonne \$ | Fair value assets \$000 | Fair value liabilities \$000 |
|--------------------|---------------|----------------------------------|-------------------------------|------------------------------------|
| Aluminium forwards | 1,475 | 2,651 | 228 | - |

The open commodity forward contracts as at 31 December 2020 are as follows:

| | Metric tonnes | Average price per tonne \$ | Fair value assets \$000 | Fair value liabilities \$000 |
|--------------------|---------------|----------------------------------|-------------------------------|------------------------------------|
| Aluminium forwards | 1,850 | 1,695 | 648 | (125) |

The amount of commodity cash flow hedges included in other comprehensive charges for Group and Company are as follows:

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

20 Financial instruments (continued)

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Commodity cash flow hedges | (294) | 447 | (294) | 447 |
| Tax effect of commodity cash flow hedges | (210) | (101) | (210) | (101) |
| Other comprehensive charge | (504) | 346 | (504) | 346 |

The charge/ (credit) to the income statement as cost of sales for the period relating to commodity cash flow hedges for the Group and Company are as follows:

| | Group | | Company | |
|----------------------------|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Commodity cash flow hedges | 1,182 | 159 | 1,182 | 159 |

Foreign currency forward contracts

The Group uses foreign exchange forward contracts to hedge a significant portion of its estimated foreign currency exposure in respect of forecasted sales and purchases that will be received or paid in different currencies. These contracts are negotiated to match the terms of the commitments and generally mature with 12 months with any effect to the statement of profit or loss being recognised in this period. Foreign exchange contracts have been designated as cash flow hedges.

The open foreign exchange forward sales contracts as at 31 December are as follows:

| | Notional amount | Average contract rate | Fair value assets \$000 | Fair value liabilities \$000 |
|------------------------|------------------------|------------------------------|--------------------------------|-------------------------------------|
| Cash flow hedges: | | | | |
| Euro (versus USD) 2021 | €21.264 million | 1.166 | 236 | (789) |
| Euro (versus USD) 2020 | €3.170 million | 1.113 | 140 | (499) |

The open foreign exchange forward purchase contracts as at 31 December are as follows:

| | Notional amount | Average contract rate | Fair value assets \$000 | Fair value liabilities \$000 |
|-----------------------|------------------------|------------------------------|--------------------------------|-------------------------------------|
| Cash flow hedges: | | | | |
| GBP (versus USD) 2021 | £19.63 million | 1.384 | 42 | (668) |
| GBP (versus USD) 2020 | £14.41 million | 1.282 | 1,210 | - |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

20 Financial instruments (continued)

The amount of currency cash flow hedges included in other comprehensive income for the Group and Company was as follows:

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Currency cash flow hedges | (1,164) | 156 | (1,164) | 156 |
| Tax effect of currency cash flow hedges | 198 | (27) | 198 | (27) |
| Other comprehensive charge | <u>(966)</u> | <u>129</u> | <u>(966)</u> | <u>129</u> |

The charge to the statement of profit and loss as cost of sales for the period relating to currency cash flow hedges for the Group and Company was as follows:

| | Group | | Company | |
|---------------------------|----------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Currency cash flow hedges | <u>(1,799)</u> | <u>528</u> | <u>(1,799)</u> | <u>528</u> |

Hedging ineffectiveness

The Group hedges its own exposure and that of its subsidiary, AMG Alpoco UK Limited. There was no hedging ineffectiveness at the consolidated level during the years ended 31 December 2021 or 31 December 2020.

Hedging ineffectiveness at Group level

There was no ineffectiveness during the years ended 31 December 2021 or 31 December 2020.

Total hedging activities

The total amount recognised as other comprehensive income in relation to cash flow hedges at the year end for the Group and Company is as follows:

| | Group | | Company | |
|----------------------------|----------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ 000 | \$ 000 | \$ 000 | \$ 000 |
| Commodity cash flow hedges | (504) | 346 | (504) | 346 |
| Currency cash flow hedges | <u>(966)</u> | <u>129</u> | <u>(966)</u> | <u>129</u> |
| Other comprehensive charge | <u>(1,470)</u> | <u>475</u> | <u>(1,470)</u> | <u>475</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes

Defined benefit pension schemes

AMG Chrome Limited sponsors two defined benefit schemes; the AMG UK Group 2006 Pension Plan ('2006 Pension Plan') and the LSM Additional Pension Plan ('Additional Pension Plan').

| | 2021 \$ 000 | 2020 \$ 000 |
|-------------------------|----------------|-----------------|
| 2006 Pension Plan | (5,301) | (9,871) |
| Additional Pension Plan | 110 | (1,371) |
| | <u>(5,191)</u> | <u>(11,242)</u> |

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

The AMG UK Group 2006 Pension Plan defined benefit section ('2006 Pension Plan') was closed to new employees and to further service for current employees during 2006. As the remaining service for active members is zero, scheme assets are measured at the bid market value at the statement of financial position date. The liabilities of the pension plan measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. Estimated future cash flows are discounted at the current rate of return on high quality corporate bonds of an equivalent term to the liability. Actuarial gains and losses are recognised in full in the year in which they occur in the statement of comprehensive income.

The scheme assets and liabilities of the 2006 Pension Plan are initially valued in full in accordance with IAS19. In prior years, the assets and liabilities have then been split between AMG Chrome Limited and AMG Alpocho UK Limited based on the liability of each member, as calculated at the last full actuarial valuation.

With this approach, AMG Alpocho UK Limited has been recognising c.6% of the total net liability of the Plan on its balance sheet and AMG Chrome Limited c.94%, with 100% of the total net liability on the consolidated balance sheet. In 2021, this has been changed to reflect the scheme only within AMG Chrome Limited, as the principal employer of the Plan (100% total net liability within AMG Chrome Limited and consolidated balance sheet).

This change in approach has been made after considering the following:

- There is no contractual agreement or formally stated policy which sets out the approach for charging the net defined benefit cost between the participating employers
- All cash contribution to the defined benefit section of the Plan are paid from AMG Chrome Limited
- The only circumstance (under the current schedule) in which a contribution would fall due to the defined benefit section of the Plan from AMG Alpocho UK Limited would be a Section 75 payment in an insolvency event.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes (continued)

The level of company contributions to be paid is set by the trustees and company at the time of each triennial valuation.

IAS 19 requires that the discount rate used be determined by reference to market yields at the reporting date on high quality corporate bonds. The currency and term of these should be consistent with the currency and estimated term of the pension obligations. The discount rate has been assessed by reference to the duration of the pension plan liabilities and by reference to the published iBoxx index of Sterling corporate bonds of duration greater than 15 years and investment grade AA and above. Allowance is made where the constituent bonds in the published index have been re-rated or new issues made.

The rate of inflation influences the assumption for salary and pension increase. This has been assessed by reference to yields on long-term fixed and index-linked Government bonds and has regard to Bank of England published inflationary expectations.

The last full actuarial valuation of the 2006 Pension Plan was carried out by a qualified independent actuary at 31 December 2018 and updated on an approximate basis to 31 December 2021.

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the reporting date. The expected rate of return on equities have been determined by setting an appropriate risk premium above government bond yields, having regard to market conditions at the reporting date. The expected long-term return on cash is equal to bank base rates at the reporting date.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ 000 | \$ 000 |
| Fair value of scheme assets | 109,391 | 110,986 |
| Present value of scheme liabilities | <u>(114,582)</u> | <u>(122,228)</u> |
| Defined benefit pension scheme deficit | <u>(5,191)</u> | <u>(11,242)</u> |

Amounts recognised in the income statement

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ 000 | \$ 000 |
| Expenses | 713 | 529 |
| Net interest | <u>116</u> | <u>241</u> |
| Total recognised in the income statement | <u>829</u> | <u>770</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes (continued)

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

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ 000 | \$ 000 |
| Opening defined benefit obligation | 122,228 | 112,612 |
| Changes in the effect of limiting a net defined benefit asset to the asset ceiling | 5,219 | - |
| Foreign exchange differences | (1,409) | 3,723 |
| Interest cost | 1,414 | 2,078 |
| Benefits paid, death in service insurance premiums and expenses | (5,492) | (5,647) |
| Actuarial gains and losses arising from changes in financial assumptions | (6,562) | 9,493 |
| Actuarial gains and losses arising from changes in demographic assumptions | (816) | (31) |
| Present value at end of year | <u>114,582</u> | <u>122,228</u> |

Scheme assets

Changes in the fair value of scheme assets are as follows:

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ 000 | \$ 000 |
| Fair value at start of year | 110,986 | 99,044 |
| Interest income | 1,298 | 1,837 |
| Foreign exchange differences | (1,244) | 3,347 |
| Contributions by scheme participants | 3,617 | 2,278 |
| Benefits paid, death in service insurance premiums and expenses | (6,205) | (6,176) |
| Return on plan assets, excluding amounts included in interest income/(expense) | 939 | 10,656 |
| Fair value at end of year | <u>109,391</u> | <u>110,986</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$ 000 | \$ 000 |
| Actuarial gains and losses arising from changes in demographic assumptions | 816 | 31 |
| Actuarial gains and losses arising from changes in financial assumptions | 6,562 | (9,493) |
| Return on plan assets, excluding amounts included in interest income/(expense) | 939 | 10,656 |
| Exchange rate movements | 165 | (376) |
| Changes in the effect of the asset ceiling | (5,222) | - |
| Amounts recognised in the Statement of Comprehensive Income | <u>3,260</u> | <u>818</u> |

Analysis of assets

The major categories of scheme assets are as follows:

| | 2021 | 2020 |
|---------------------------|----------------|----------------|
| | \$ 000 | \$ 000 |
| Cash and cash equivalents | 233 | 356 |
| Diversified growth funds | 68,543 | 66,364 |
| LDI | 21,926 | 25,736 |
| Other | 18,689 | 20,070 |
| Outstanding premiums | - | (1,540) |
| | <u>109,391</u> | <u>110,986</u> |

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

| | 2021 | 2020 |
|---|-------------|-------------|
| | % | % |
| Allowance for commutation of pension for cash at retirement | 70.00 | 70.00 |
| Discount rate | 1.85 | 1.25 |
| Allowance for revaluation of deferred pensions | 3.70 | 3.20 |
| Allowance for pension in payment increases | 3.55 | 3.10 |
| Inflation | <u>3.70</u> | <u>3.20</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes (continued)

Assumptions regarding future mortality are based on published statistics and mortality tables, but also take into account the actual membership experience and specific demographics of the workforce.

The average life expectancy assumptions, after retirement at 65 years age, are as follows:

Post retirement mortality assumptions

| | 2021 | 2020 |
|--|--------------|--------------|
| | Years | Years |
| Current UK pensioners at retirement age - male | 21.00 | 21.10 |
| Current UK pensioners at retirement age - female | 23.00 | 23.00 |
| Future UK pensioners at retirement age - male | 22.00 | 22.10 |
| Future UK pensioners at retirement age - female | <u>24.20</u> | <u>24.20</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

21 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

| | 2021 | 2020 |
|------------------------------------|---------------|---------------|
| | -1.0% | -1.0% |
| Adjustment to discount rate | \$ 000 | \$ 000 |
| Change in liabilities | <u>14,896</u> | <u>15,890</u> |

| | 2021 | 2020 |
|--|---------------|---------------|
| | + 0.5% | + 0.5% |
| Adjustment to rate of inflation | \$ 000 | \$ 000 |
| Change in liabilities | <u>1,260</u> | <u>1,345</u> |

| | 2021 | 2020 |
|--|---------------|---------------|
| | + 1 Year | + 1 Year |
| Adjustment to mortality age rating assumption | \$ 000 | \$ 000 |
| Change in liabilities | <u>6,990</u> | <u>7,456</u> |

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ending 31 December 2021 is 12 years.

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions paid and payable in these plans and amounted to \$996,915 (2020 - \$1,020,213).

22 Fair value measurement

Valuation of financial instruments - Fair value hierarchy

As at 31 December the Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation methodology.

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

22 Fair value measurement (continued)

The following tables provide the fair value measurement hierarchy of the group's assets and liabilities.

Assets measured at fair value
2020

| | Level 2 | Total |
|----------------------------|----------------|---------------|
| | \$ 000 | \$ 000 |
| Forward contracts - hedged | <u>1,998</u> | <u>1,998</u> |

Liabilities measured at fair value
2020

| | Level 2 | Total |
|----------------------------|----------------|---------------|
| | \$ 000 | \$ 000 |
| Forward contracts - hedged | <u>624</u> | <u>624</u> |

23 Parent and ultimate parent undertaking

The immediate parent undertaking is AMG Advanced Metallurgical Group Invest B.V., a company registered in the Netherlands.

The largest group in which the results of the Company are consolidated, and the controlling party, is AMG Advanced Metallurgical Group N.V., a company incorporated in the Netherlands, whose principal address is WTC Amsterdam, Toren C, 13th Floor, Strawinskyaan 1343, 1077 XX Amsterdam. Copies of the financial statements of AMG Advanced Metallurgical Group N.V. can be obtained from the principal address or at www.amg-nv.com.

24 Contingent liabilities

The Group has given guarantees to HM Revenue and Customs in respect of deferred duty. At 31 December 2021, the guarantee amounted to \$Nil (31 December 2020: \$60,000).

The Group is party to an Invoice Discounting Agreement with ABN AMRO Asset Based Finance N.V. and has a fixed charge over its book debts and the proceeds of book debts.

The Group is party to AMG Advanced Metallurgical Group N.V.'s term and revolving credit facilities and has given fixed and floating charges over all its assets to participate in those group banking facilities. As of 30 November 2021, the AMG Advanced Metallurgical Group N.V. entered into a new \$350m seven-year senior secured term loan B facility and a \$200m five-year senior secured revolving credit facility. The total facility amount of \$550m replaced AMG's existing credit facility and extended the term loan maturity from 2025 to 2028 and revolver maturity from 2023 to 2026. Proceeds from the facility were used to repay AMG's previous credit facility.

At 31 December 2021, the total outstanding principal on the term loans was \$350m (2020: \$340m) and available revolver capacity was \$170m (2020: \$170m). Full details of the terms relating to the facility can be found in the group financial statements of AMG Advanced Metallurgical Group N.V., copies of which are available from the address and website listed in note 23.

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

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

25 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Income and receivables from related parties

| | Fellow subsidiaries of the larger group \$ 000 |
|---------------------------------------|---|
| 2021 | |
| Sale of goods | 12,438 |
| Amounts receivable from related party | 5,480 |
| | Fellow subsidiary of the larger group \$ 000 |
| 2020 | |
| Sale of goods | 9,245 |
| Amounts receivable from related party | 1,594 |

Expenditure with and payables to related parties

| | Ultimate parent company \$ 000 | Fellow subsidiaries of the larger group \$ 000 |
|----------------------------------|---------------------------------------|---|
| 2021 | | |
| Purchase of goods | 1,010 | 42 |
| Amounts payable to related party | 621 | 605 |
| | Ultimate parent company \$ 000 | Fellow subsidiaries of the larger group \$ 000 |
| 2020 | | |
| Purchase of goods | 856 | 1,240 |
| Amounts payable to related party | 147 | 642 |

Included in purchase of goods is \$1,010,488 (2020: \$856,284) charge from the ultimate parent company representing a management service fee.

Included in sale of goods is \$2,358,180 (2020: \$3,124,936) charge to fellow subsidiaries of the larger group for the recharge of accounting, IT and purchasing services.

All the above transactions are undertaken on normal commercial terms. Amounts owed to/ by group companies are non interest bearing and are normally settled on 30 to 90 day terms.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

25 Related party transactions (continued)

Key management personnel

Key management compensation

| | 31 December 2021 \$ 000 | 31 December 2020 \$ 000 |
|---|--|--|
| Salaries and other short term employee benefits | 710 | 924 |
| Post-employment benefits | 88 | 81 |
| Share-based payments | 247 | 51 |
| | <u>1,045</u> | <u>1,056</u> |

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment benefits.

All directors of the Company are considered to have performed qualifying services to the company and their remuneration is disclosed above as total remuneration for services to the AMG Advanced Metallurgical Group N.V. group. This amount is paid by the Company's immediate parent company, AMG Chrome Limited. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

E E Jackson and J M Dunckel are not considered to have performed qualifying services for the Group.

Group cash pooling arrangement

| | Net interest receivable / (paid) 2021 \$000 | Debtors / (creditors) 2021 \$000 | Net interest receivable / (paid) 2020 \$000 | Debtors / (creditors) 2020 \$000 |
|---------------------------------------|--|---|--|---|
| Fellow subsidiary of the larger group | <u>1,437</u> | <u>99,468</u> | <u>1,816</u> | <u>81,548</u> |

The Company participates in a centralised cash management arrangement with AMG Invest GmbH. The arrangement bears interest at EURIBOR monthly average plus 2.875% on debit balances. Interest has been applied for credit balances at EURIBOR monthly average plus 1.00% for Euro balances and EURIBOR monthly average plus 1.75% for US Dollar and Sterling balances. Interest is receivable/ payable monthly in arrears.

26 Commitments

Group and Company

Capital commitments

At 31 December 2021, the capital commitments for the Group and Company were \$913,000 (2020 - \$1,067,000).

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

27 Share-based payments

In May 2009, the Annual General Meeting of AMG Advanced Metallurgical Group N.V. ("AMG Group") approved a remuneration policy that utilizes share based payments as a part of compensation. As of November 3, 2016, AMG Group elected to settle any future amounts paid for the performance share units ("PSUs") awards with AMG shares. In the year ended 31 December 2021 AMG Group issued nil (2020: 6,085) PSUs to certain employees which are share settled. As these awards will be equity settled, the balance is recorded in equity rather than as a liability in accordance with IFRS 2.

AMG utilized a Monte Carlo simulation to develop a valuation of the PSU awards. This calculation was performed on the date of issuance. The following table lists the inputs into the model used to calculate the fair value of the equity settled performance share units that were granted 2019 through 2021:

| | 2020 Grant | 2019 Grant |
|------------------------------|------------|------------|
| Share price at date of grant | €19.31 | €31.43 |
| Contractual life at issuance | 3.0 | 3.0 |
| Expected volatility | 44.00% | 40.03% |
| Expected departures at grant | 8% | 8% |

The expected volatility was calculated using the average share volatility of AMG Advanced Metallurgical Group N.V. (over a period equal to the expected term of the shares). The expected life is the time at which shares will vest. For the risk free rate, AMG Group utilised the European Central Bank Eurozone yield for the 2021 grants. The risk free rate does not have a significant impact on the valuation of the awards.

The Company recorded expense of \$200,986 (2020: \$36,199) related to these awards during the year. The expense related to equity settled awards is recorded in the share based payment reserve.

In the year ended December 31, 2021, nil PSUs were forfeited (2020: nil). The total number of equity settled PSUs outstanding as of December 31, 2021 was 9,823 (2020: 12,938).

During the year ended 31 December 2020 AMG Group adjusted the forfeiture rate on the 2018 awards from 8% to 7%, which approximates the actual departures to date. The 2020 and 2019 awards continue to apply an 8% forfeiture assumption given the historical rate of departures.

The PSU awards include a performance multiplier which can range from 0x - 1.75x the target award based on the AMG Advanced Metallurgical Group N.V.'s share price performance relative to its peers. AMG Group achieved 0.75x for the 2017 grant which was settled in 2021 (2020: 1.75x). During the year ended 31 December 2021, 3,115 shares (2020: 4,150) were paid out with respect to the vesting of equity settled performance share units granted in 2017.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

27 Share-based payments (continued)

Restricted share units

In May 2021, the AMG Management Board approved a new RSU plan that provides share-based payments as a component of compensation to employees of the Company. In the year ended 31 December 2021, the Company issued 4,865 (2020: nil) RSU's to employees which are share-settled under the new plan. The RSU's granted to each employee will vest on the third anniversary of the grant date. The vesting is subject only to service conditions provided that the employee has remained continuously in the employment of the Company or a Group Company until the vesting date. In the event that the Supervisory Board has approved to pay-out any dividends to shareholders of the Company, the equivalent of the cash amount of the dividend will be converted to incremental RSU's to be awarded upon the vesting date to employees. As these awards will be equity-settled, the balance is recorded in equity rather than as a liability in accordance with IFRS 2.

The fair value of the RSU's granted during the year ended 31 December 2021 was €31.61 based on the closing price of AMG's shares on the date of the grant. In the year ended 31 December 2021, nil RSU's were forfeited (2020: nil). The Company recorded expense of \$44,196 (2020: nil) related to the outstanding RSU's in the year ended 31 December 2021, which is net of an 8% forfeiture rate based on the expected departures at the grant date.

The total number of equity-settled RSU's outstanding as of 31 December 2021 was 4,865 (2020: nil).

28 Capital management, financial risk management objectives and policies

Capital management

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The main risks arising from the Group's financial instruments are: credit, liquidity, foreign currency, and commodity.

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

28 Capital management, financial risk management objectives and policies (continued)

Foreign currency sensitivity analysis

The Group deems its primary currency exposures to be in sales (trade receivables) and purchases (trade payables) denominated in Euros and British Pound Sterling.

The following table details the Group's sensitivity to a 5% increase and decrease in the US Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the US Dollar strengthens 5% against the relevant currency. For a 5% weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

| | Euro impact | | Sterling impact | |
|----------------|-------------|-------|-----------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$000 | \$000 | \$000 | \$000 |
| Profit or loss | 6 | (8) | (163) | (208) |

Interest rate risk

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost effective hedging strategies are applied.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The amounts presented on the statement of financial position are net of allowances for doubtful receivables estimated by the Group's management, based on prior experience and the current economic climate.

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which ensure their creditworthiness. In addition, receivable balances are monitored on an on going basis to ensure that the Group's exposure to impairment losses is not significant. The Group's maximum exposure is the carrying amount as discussed in note 15 - \$21,711,000 (2020: \$13,738,000). The Group closely monitors its due but unimpaired receivables as detailed in note 15.

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

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

28 Capital management, financial risk management objectives and policies (continued)

Commodity price risk

Commodity price risk is the risk that certain raw materials prices will increase and negatively impact the gross margins and operating results of the Company. The Company is exposed to volatility in the prices of aluminium, publicly traded on the London Metal Exchange.

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

| | 2021 \$000 | 2020 \$000 |
|-----------|---------------|---------------|
| Aluminium | 60 | 110 |
| Nickel | 30 | 21 |
| | <u>90</u> | <u>131</u> |

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

It is Group policy to agree payment terms with its suppliers. Payment is made when it can be confirmed that the goods or services have been provided in accordance with the relevant contractual conditions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

| | Carrying amount \$000 | Contractual cash flows \$000 | <3 months \$000 | 3-12 months \$000 | 2022 \$000 | 2023 \$000 | >2024 \$000 |
|----------------------------------|-----------------------------|------------------------------------|--------------------|-------------------------|---------------|---------------|----------------|
| Pension plan obligations | - | 8,288 | 941 | 2,822 | 2,144 | 2,194 | 187 |
| Trade and other payables | 24,105 | 24,105 | 16,383 | 7,619 | 103 | - | - |
| Financial derivatives | 624 | 624 | 234 | 390 | - | - | - |
| Non cancellable low value leases | - | 5 | 3 | 2 | - | - | - |
| | <u>24,729</u> | <u>33,022</u> | <u>17,561</u> | <u>10,833</u> | <u>2,247</u> | <u>2,194</u> | <u>187</u> |

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Notes to the Financial Statements for the Year Ended 31 December 2021
(continued)

28 Capital management, financial risk management objectives and policies (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments:

| | Carrying amount | Contractual cash flows | <3 months | 3-12 months | 2022 | 2023 | >2024 |
|----------------------------------|-----------------|------------------------|---------------|--------------|--------------|------------|----------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Pension plan obligations | - | 5,023 | 593 | 1,778 | 2,442 | 210 | - |
| Trade and other payables | 34,438 | 34,348 | 30,586 | 3,741 | 111 | - | - |
| Financial derivatives | 1,457 | 1,457 | 497 | 960 | - | - | - |
| Non cancellable low value leases | - | - | - | - | - | - | - |
| | <u>35,895</u> | <u>40,828</u> | <u>31,676</u> | <u>6,479</u> | <u>2,553</u> | <u>210</u> | <u>-</u> |

29 Standards issued but not yet effective

The following are the new and amended accounting standards that have an effective date after the date of these financial statements and are not expected to have a material impact on the Company's reported financial performance or position.

| International Financial Reporting Standards | Applying to accounting periods beginning after |
|--|--|
| New standards | |
| IFRS 17 – Insurance Contracts | January 2023 |
| Amendments to existing standards | |
| Amendments to IFRS 3 – Business Combinations – Reference to the conceptual framework | January 2022 |
| Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use | January 2022 |
| Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Costs of fulfilling a contract | January 2022 |
| Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of accounting policies | January 2022 |
| Amendments to IAS 1 – Presentation of Financial Statements – Classification of liabilities as current or non-current | January 2022 |
| Amendment to IAS 12 – Income Tax – Deferred tax related to assets and liabilities arising from a single transaction | January 2022 |
| Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates | January 2022 |