Registered number: 00345279

AMG SUPERALLOYS UK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

Directors	E E Jackson L M Scaife K Lawson D R Shea J M Dunckel M D Haw
Company secretary	T R C Palmer
Registered number	00345279
Registered office	Fullerton Road Rotherham South Yorkshire S60 1DL
Independent auditor	KPMG LLP Chartered Accountants 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Solicitor	DLA Piper UK LLP 1 St Paul's Place Sheffield S1 2JX

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report of the Company and the Group for the year ended 31 December 2020.

REVIEW OF BUSINESS

The Group statement of profit or loss on page 15. Capital expenditure was $3,427,000 (2019: $3,734,000).

	2020 $'000	2019 $'000
Revenue	83,098	151,623
Profit before tax before exceptionals	770	16,434
Total equity	101,876	100,939
EBITDA	2,725	18,074
Return on capital employed	16.4%	85.8%
Lost time incident rate	-	-

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 27), share based payment expense (Note 29) and exceptional items (Note 5). 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 global economic slowdown and overall market uncertainty caused by COVID-19 has impacted the financial performance of AMG Superalloys UK Limited. The company has seen its order book reduce to its customers across the world reducing their output or shutting down for periods of time. The operations at Superalloys and its subsidiary AMG Alpoco UK Limited have remained open as essential businesses but the order book have reduced significantly. AMG Alpoco's Minworth manufacturing plant temporarily shutdown to ensure that the company did not build up unnecessary inventory or increase its aluminium price exposure. Overall sales revenues for the group were down by $68.5m due to the 27% reduction in sales volumes.

Sales in 2021 have shown significant improvement with increased sales and profitability. COVID-19 recovery is ahead of anticipated levels.

Overall the EBITDA profitability for the year was down by $15.3m, which has been impacted by the reduced sales volumes. Furloughing of staff has had to take place to reduce the company's cost base together with tighter cost control and delaying discretionary spend. The Company has utilised the Government's Job Retention Scheme where possible.

During the summer of 2020, a review of the short term and longer term impact of the pandemic on the business was undertaken and as a result a restructuring of the company was undertaken. As part of this review, senior management prepared a business plan which looked to strike a balance between retaining jobs and staff experience versus the long term sustainability and profitability of the company. The review resulted in a number of redundancies being required and these were completed in September 2020.

In order to meet the 3 year 2020 business plan for AMG Alpoco UK Limited, a decision was approved to relocate all production to the Anglesey site, build a new production facility and close the facility at the leased site in Minworth. This would consolidate production onto one site, remove overheads from maintaining the leased site and provide a state of the art aluminium granules facility. 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 has ceased and the site is currently in the process of being closed and will be handed back to the landlord in due course. A provision of $520,000 has been included in exceptionals as at 31 December 2020.

Return on capital employed decreased to 16.4% as a result of the reduction in profitability in 2020 due to the global pandemic.

The Group's aspirational 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 2020 was zero (2019: zero). Formal safety management systems continue to be important to achieving zero harm to employees and the Group is ISO 45001 certified.

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 downturn 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.

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.

The outbreak of the COVID-19 pandemic in February 2020, had a significant impact on the company in 2020. As a company which produces highly engineered specialty metals and mineral products to various markets including transportation, infrastructure, energy, defence and medical industries, as well as specialty metals and chemicals markets, the company was not listed on the Government's list of companies that were required to close and therefore operations continued throughout lockdown to meet our customers' needs. Throughout the 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.

Whilst the company has continued to operate during the pandemic, demand has decreased particularly in the aviation industry. During the summer of 2020, a review of the short term and longer term impact of the pandemic on the business was undertaken and as a result a restructuring of the company was undertaken. As part of this review, senior management prepared a business plan which looked to strike a balance between retaining jobs and staff experience versus the long term sustainability and profitability of the company. The review resulted in a number of redundancies being required and these were completed in [month] 2020. Close monitoring of the company's financial performance was undertaken with additional reforecasts being performed compared to previous years. In addition these forecasts were stress tested to validate the going concern assumption. Cashflow forecasting increased in regularity to ensure the company had sufficient cashflows to operate comfortably.

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 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 has ceased and the site is currently in the process of being closed and will be handed back to the landlord in due course.

During 2020, the company received notification from KBC Commercial Finance of the withdrawal of the company's supplier financing programme and customer invoice discounting facilities as of the 31 December 2020. Following this notification dialogue with a number of banks was undertaken to look to replace these facilities. Following consultation and approval by the board the invoice discounting facility was transferred to a new facility in January 2021. A new agreement has been signed for a supplier financing which is currently in the process of being implemented.

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 Superalloys 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.

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 Superalloys' 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 have had to be replaced with video conferences.

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.

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 Superalloys' 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.

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 Superalloys UK 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 2020 the company continued to recognise its commitment to ensure we comply with tax regulations with a focus on the corporate criminal offence legislation with specific policies being drafted in respect of this and improved documentation of tax risks. The work started in 2019 and was completed in 2020.

Following consultation with the company's tax advisors, a tax risk register was created to identify and monitor all significant risks related to taxation and a new Financial Crime policy was issued. In March 2020 the first meeting of the newly formed local UK tax committee was held. The committee includes representatives from commercial, supply chain, shipping, finance, payroll and HR. The role of the committee is to provide on-ongoing monitoring of the risk register on a quarterly basis. The tax risk register is also subject to annual review and approval by the Board of Directors.

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 Superalloys UK 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 Superalloys UK 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.

Brexit

The Group continued to prepare for Brexit as the United Kingdom formally left the European Union on 31 January 2020 and entered a transition period that ended on 31 December 2020, when a deal had been reached and the United Kingdom left the EU single market and customs union.

The main risks and uncertainties in relation to Brexit during 2020 were managed as follows:

- The Group has registered for VAT and appointed agents in the EU to ensure any indirect tax obligations are met.
- The Group's REACh registrations were transferred to an Only Representative in order to continue to import and export registered products from the EU. We are now in the process of applying for the equivalent registrations under new UK regulations that will mirror the European REACh registrations.
- We have not seen significant transport delays in deliveries to customers in the EU directly attributable to Brexit and maintain that warehousing of stock in Europe is not required.
- As a deal was reached with the EU, tariffs were not imposed on our goods into the EU and so no impact on profitability in relation to additional duty costs was realised.

COVID-19

Protecting the health and safety of employees has been a top priority for AMG Superalloys. Since the outbreak of the COVID-19 pandemic in February, 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 impacted the financial performance of AMG Superalloys UK Limited. The Group has seen its order book reduce due to our customers across the world reducing their output or shutting down for periods of time. Improvements in the order book have started to be seen from September 2020.

The operations at AMG Superalloys have remained open as an essential business but where the order book had reduced significantly for a period of time some temporary shutdown of the plant has occurred to ensure that the company did not build up unnecessary inventory and increase its aluminium price exposure.

Furloughing of staff has had to take place to reduce the company's cost base together with tighter cost control and delaying discretionary spend. The Group has utilised the Government's Job Retention Scheme where possible. The Group is closely managing its working capital position and capital expenditure to ensure that its cash balances locally and in the group pooling facility are maximized. The Group has been regularly preparing reforecasts during 2020. Whilst the financial results for 2020 have been significantly impacted by COVID-19 the business is still considered a long-term business with good future prospects post COVID-19. The balance sheet of the company is strong to survive the current economic slow-down.

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 Superalloys UK 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. As this is the first year of the SECR scheme, the data covers one financial year. In subsequent years, the directors will report on both the current and the prior year.

UK Greenhouse gas emissions and energy use data for the period 1 January 2020 to 31 December 2020

	Consumption in MWh	tCO2e
Scope 1	5,512	1,030
Scope 2	11,678	2,723
Scope 3	7	2
Total	17,197	3,755
Intensity ratio	tCO2e/ Tonne production	0.425

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 2020, Expiry 01/06/2021, Version 1.0)

Green tariffs

When reporting emissions related to our electricity consumption, the appropriate years' DEFRA / DECC UK electricity conversion factors have been applied to all electricity purchased. However, 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 Origin (REGOs)), which provide evidence that the energy is from appropriately accredited renewable sources.

Our Scope 2 emissions using the market-based approach, which takes into account the renewable electricity supply, total nil tCO2e, compared with 2,723 tCO2e using the location-based (grid average) approach as included in the table above. The corresponding intensity ratio using the market-based approach is reduced to 0.117 tCO2e per tonne of production.

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 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

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

Measures taken to improve energy efficiency

During the year, the energy efficiency actions taken by the company included:
- Full shutdown procedures now documented and implemented
- Modifications to fan programming to run in line with requirements and ensure no energy wastage

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 2021 include:
- Replacing fans for a more energy efficient version
- Implementing a rolling programme to assess and replace inefficient compressors
- Converting our forklift truck fleet to lithium ion electric from diesel
- The Company is also in the process of replacing old transformers and switchgear.

This report was approved by the board and signed on its behalf.

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T R C Palmer
Secretary
Date: 22 September 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Group is to manufacture and merchanting of metallurgical products.

PROFIT AND DIVIDENDS

The loss for the year, after taxation, amounted to $767,000 (2019 - profit $13,326,000).

The total distribution of dividends for the year ended 31 December 2020 will be $nil. The directors recommend no final dividend be paid in respect of the year ended 31 December 2020. The total distribution of dividends for the year ended 31 December 2019 was $nil.

DIRECTORS

The directors who served during the year and to the date of these financial statements were:

E E Jackson
L M Scaife
K Lawson
D R Shea
J M Dunckel
M D Haw (appointed 6 December 2019)

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 during the period (2019: $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 note 22.

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

AUDITOR

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 2021 and signed on its behalf.

T R C Palmer
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements, in accordance with applicable law.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMG SUPERALLOYS UK LIMITED

Opinion

We have audited the financial statements of AMG Superalloys UK Limited ("the company") for the year ended 31 December 2020 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:

- 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model and analysed how those risks might affect the group and 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 group or 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 group or the company will continue in operation.

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.

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-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

Directors' responsibilities

As explained more fully in their statement set out on page 13, 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 group and parent 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 group or the parent 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMG SUPERALLOYS UK LIMITED

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.

Phillipa Symington

Phillipa Symington (Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
23 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $000	2019 $000
Revenue	2	83,098	151,623
Cost of sales		(78,360)	(131,339)
Gross profit		4,738	20,284
Other operating income	4	32	32
Administrative expenses		(5,330)	(5,823)
Exceptionals	5	(1,087)	-
(Loss)/profit from operations		(1,647)	14,493
Finance income	6	1,923	2,640
Finance expense	6	(593)	(699)
(Loss)/profit before tax	7	(317)	16,434
Tax expense	8	(450)	(3,108)
(Loss)/profit for the year		(767)	13,326

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 $000	2019 $000
(Loss)/profit for the year		(767)	13,326
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial losses	24	818	(8,670)
Tax relating to items that will not be reclassified	8	423	1,474
		1,241	(7,196)
Items that will or may be reclassified to profit or loss:			
Derivatives	22	603	1,836
Current tax relating to fair value on derivative financial instruments	8	(63)	(48)
Deferred tax relating to fair value on derivative financial instruments	8	(65)	(238)
Share based payment expense	29	(12)	(564)
		463	986
Other comprehensive income for the year, net of tax		1,704	(6,210)
Total comprehensive income		937	7,116
Total comprehensive income attributable to:			
Owners of the parent		937	7,116
		937	7,116

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

REGISTERED NUMBER:00345279

	Note	2020 $000	2019 $000
ASSETS			
NON CURRENT ASSETS			
Goodwill	11	1,510	1,510
Intangible assets	12	467	503
Property, plant and equipment	13	15,096	14,062
Deferred Tax	23	2,205	2,324
		19,278	18,399
CURRENT ASSETS			
Inventories	15	19,052	10,074
Trade and other receivables	16	97,422	117,505
Financial instruments	22	1,998	741
Cash and cash equivalents	17	1,389	4,460
		119,861	132,780
TOTAL ASSETS		139,139	151,179
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	18	30,698	30,698
Capital redemption reserve	19	25,000	25,000
Share based payment reserve	19	1,598	1,610
Accumulated other comprehensive income	19	(21,652)	(23,368)
Retained earnings		66,232	66,999
TOTAL EQUITY		101,876	100,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) REGISTERED NUMBER:00345279
AS AT 31 DECEMBER 2020

	Note	2020 $000	2019 $000
LIABILITIES			
NON CURRENT LIABILITIES			
Trade and other payables	20	-	16
Pension liability	24	11,242	13,568
Deferred tax	23	1,075	829
		12,317	14,413
CURRENT LIABILITIES			
Trade and other payables	20	24,105	34,601
Financial instruments	22	624	140
Corporation tax	8	217	1,086
		24,946	35,827
TOTAL LIABILITIES		37,263	50,240
TOTAL EQUITY AND LIABILITIES		139,139	151,179

The financial statements were approved by the Board of Directors on 22 September 2021 and were signed on its behalf by:

....

K Lawson
Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 **REGISTERED NUMBER:00345279**

	Note	2020 $000	2019 $000
ASSETS			
NON CURRENT ASSETS			
Goodwill	11	1,510	1,510
Intangible assets	12	454	488
Property, plant and equipment	13	11,119	11,239
Investments	14	2,219	2,219
Deferred tax	23	2,026	2,202
		17,328	17,658
CURRENT ASSETS			
Inventories	15	16,024	8,244
Trade and other receivables	16	87,794	116,082
Financial instruments	22	1,998	741
Cash and cash equivalents	17	1,062	3,943
		106,878	129,010
TOTAL ASSETS		124,206	146,668
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	18	30,698	30,698
Capital redemption reserve	19	25,000	25,000
Share based payment reserve	19	1,598	1,610
Accumulated other comprehensive income	19	(21,278)	(22,841)
Retained earnings		60,947	57,624
TOTAL EQUITY		96,965	92,091

COMPANY STATEMENT OF FINANCIAL POSITION (continued) **REGISTERED NUMBER:00345279**
AS AT 31 DECEMBER 2020

	Note	2020 $000	2019 $000
LIABILITIES			
NON CURRENT LIABILITIES			
Pension liability	24	10,664	12,861
Deferred tax	23	1,018	751
		11,682	13,612
CURRENT LIABILITIES			
Trade and other payables	20	14,935	39,950
Financial instruments	22	624	140
Corporation tax	8	-	875
		15,559	40,965
TOTAL LIABILITIES		27,241	54,577
TOTAL EQUITY AND LIABILITIES		124,206	146,668

AMG Superalloys UK 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:

	2020 $000	2019 $000
PROFIT FOR THE YEAR	3,323	11,311

The financial statements were approved by the Board of Directors on 22 September 2021 and were signed on its behalf by:

K Lawson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020

	Share capital	Capital redemption reserve	Share based payment reserve	Accumulated other comprehensive income	Retained earnings	Total
	$000	$000	$000	$000	$000	$000
At 1 January 2019	30,698	25,000	2,174	(17,722)	53,673	93,823
Comprehensive income for the year						
Profit for the year	-	-	-	-	13,326	13,326
Actuarial losses on defined benefit schemes	-	-	-	(8,670)	-	(8,670)
Fair value movements on derivative financial instruments	-	-	-	1,836	-	1,836
Tax effect of amounts in other comprehensive income	-	-	-	1,188	-	1,188
Share based payment expense	-	-	(564)	-	-	(564)
Total comprehensive income	-	-	(564)	(5,646)	13,326	7,116
Dividends	-	-	-	-	-	-
At 31 December 2019	30,698	25,000	1,610	(23,368)	66,999	100,939
At 1 January 2020	30,698	25,000	1,610	(23,368)	66,999	100,939
Comprehensive income for the year						
Profit in 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 expenses	-	-	(12)	-	-	(12)
Total comprehensive income	-	-	(12)	1,716	(767)	937
Dividends	-	-	-	-	-	-
At 31 December 2020	30,698	25,000	1,598	(21,652)	66,232	101,876

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020

	Share capital	Capital redemption reserve	Share based payment reserve	Accumulated other comprehensive income	Retained earnings	Total
	$000	$000	$000	$000	$000	$000
At 1 January 2019	30,698	25,000	2,174	(17,464)	46,313	86,721
Comprehensive income for the year						
Profit for the year	-	-	-	-	11,311	11,311
Actuarial gains on defined benefit schemes	-	-	-	(8,346)	-	(8,346)
Fair value movements on derivative financial instruments	-	-	-	1,836	-	1,836
Tax effect of amounts in other comprehensive income	-	-	-	1,133	-	1,133
Share based payment expense	-	-	(564)	-	-	(564)
Total comprehensive income	-	-	(564)	(5,377)	11,311	5,370
At 31 December 2019	30,698	25,000	1,610	(22,841)	57,624	92,091
At 1 January 2020	30,698	25,000	1,610	(22,841)	57,624	92,091
Comprehensive income for the year						
Profit in 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 expenses	-	-	(12)	-	-	(12)
Total comprehensive income	-	-	(12)	1,563	3,323	4,874
At 31 December 2020	30,698	25,000	1,598	(21,278)	60,947	96,965

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 $000	2019 $000
Cash flows (used in)/ from operating activities		
(Loss)/profit for the year	(767)	13,326
Adjustments for		
Depreciation of property, plant and equipment	2,393	2,174
Amortisation of intangible fixed assets	36	34
Finance income	(1,923)	(2,640)
Finance expense	593	699
Gain on sale of property, plant and equipment	-	(189)
Net gain arising on financial liabilities designated as at fair value through profit or loss	(1,267)	(1,715)
Share-based payment expense	36	143
Income tax expense	450	3,108
	(449)	14,940
Movements in working capital:		
Decrease in trade and other receivables	16,025	12,358
(Increase)/decrease in inventories	(8,978)	9,889
Decrease in trade and other payables	(8,009)	(11,747)
Cash generated from operations	(1,411)	25,440
Income taxes paid	(660)	(3,289)
Interest paid	(244)	(517)
Net cash (used in)/from operating activities	(2,315)	21,634
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,427)	(3,734)
Sale of property, plant and equipment	-	367
Purchase of intangibles	-	11
Net cash used in investing activities	(3,427)	(3,356)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 $000	2019 $000
Cash flows from/(used in) financing activities		
Cash received from/(paid to) cash pooling arrangement	743	(20,247)
Interest received	1,928	2,589
Net cash from/(used in) financing activities	2,671	(17,658)
Net cash (decrease)/increase in cash and cash equivalents	(3,071)	620
Cash and cash equivalents at the beginning of year	4,460	3,840
Cash and cash equivalents at the end of the year	1,389	4,460

COMPANY STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2020

	2020 $000	2019 $000
Cash flows (used in)/ from operating activities		
Profit for the year	3,323	11,311
Adjustments for		
Depreciation of property, plant and equipment	1,892	1,688
Amortisation of intangible fixed assets	34	33
Net finance income	(1,426)	(1,967)
Profit on sales of property, plant and equipment	-	(206)
Pension credit	(1,324)	(1,797)
Performance stock unit expense	36	143
Income tax expense	459	2,630
Investment income	(4,000)	-
	(1,006)	11,835
Movements in working capital:		
Decrease in trade and other receivables	17,381	10,847
(Increase)/decrease in inventories	(7,780)	9,691
Decrease in trade and other payables	(24,542)	(5,584)
Cash (used in)/ generated from operations	(15,947)	26,789
Income taxes paid	(577)	(2,225)
Interest paid	(202)	(366)
Net cash (used in)/ from operating activities	(16,726)	24,198
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,772)	(3,071)
Sales of property, plant and equipment	-	367
Refund of intangible fixed asset	-	11
Net cash used in investing activities	(1,772)	(2,693)
Cash flows from/ (used in) financing activities		
Dividend received	4,000	-
Cash received from/(paid to) cash pooling arrangement	9,649	(23,414)
Interest received	1,968	2,456
Net cash from/ (used in) financing activities	15,617	(20,958)
Net cash increase in cash and cash equivalents	(2,881)	547
Cash and cash equivalents at the beginning of year	3,943	3,396
Cash and cash equivalents at the end of the year	1,062	3,943

1. Accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in accordance with the Companies Act 2006.

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 Superalloys UK 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.

1.2 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 17) as well as the cash pooling facilities (refer note 27). The cash flow forecasts indicate that, even with taking account of a severe but plausible downside scenario and the anticipated impact of COVID-19 on the operations and its financial resources, the Group will have sufficient funds to meet its liabilities as they fall due.

The directors have closely monitored the spread of COVID-19 and its resulting impact on staff, the economy, markets and relevant supply chains. Policies and measures have been put in place dynamically, based on the most up to date information, to maintain the safety of its employees and minimise the risk disruption to the business. Where the Group has experienced reductions in revenue, this has been mitigated as far as possible by immediate actions, including increased working capital management, payroll and travel cost reductions and accessing government subsidies.

The impact of COVID-19 has been significant for the Group for the forecast period under review. However, the directors note that the duration and spread of the outbreak and the resultant economic impact is uncertain, and have therefore applied sensitivity analysis to assess the impact of a more severe but plausible downside scenario to future trading.

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

- Further 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 16 being 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;
- Raw material stock purchases pulled forward by 1 month due to supply chain delays, resulting in stock increases.

Although highly unlikely that all of these scenarios would occur simultaneously, the severe downside

1. Accounting policies (continued)

1.2 Going concern (continued)

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 Superalloys UK 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 Superalloys UK 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 company if required.

Consequently, the directors are confident that the Company 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.

1.3 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.

1.4 Revenue

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.

1. Accounting policies (continued)

1.5 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.

1.6 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 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:

Freehold property	4%
Plant and machinery	10%

1. Accounting policies (continued)

1.7 Leasing

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.

1.8 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.

1. Accounting policies (continued)

1.9 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.

1.10 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.

1.11 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.

1. Accounting policies (continued)

1.12 Taxation

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.

Deferred taxation
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.

1.13 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.

1. Accounting policies (continued)

1.14 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.

Defined benefit plan
The Company and its subsidiary, AMG Alpoco 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.

1. Accounting policies (continued)

1.15 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 2020 was USD $1 = £0.733.

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.

1.16 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.

1.17 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 31: Accounting estimates and judgements.

1. Accounting policies (continued)

1.18 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.

1.19 Finance income and costs

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.

1.20 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 it 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.

1. Accounting policies (continued)

1.21 Share-based payments

Cash-settled transactions
The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each statement of financial position date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the statement of financial position date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the statement of financial position date. Changes in the carrying amount for the liability are recognised in the statement of profit or loss for the period.

1.22 Provisions

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

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

1.23 Derecognition of financial assets and liabilities

Financial assets
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.

Financial liabilities
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. 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 merchanting of metallurgical products.

The following is an analysis of the Group's revenue for the year from continuing operations:

	2020 $000	2019 $000
Sale of goods	83,098	151,623
	83,098	151,623

Analysis of revenue by country of destination:

	2020 $000	2019 $000
United Kingdom	15,845	24,056
Rest of Europe	27,626	37,208
America	19,888	59,845
Asia	17,225	26,294
Africa	1,865	2,469
Australasia	649	1,751
	83,098	151,623

Timing of revenue recognition:

	2020 $000	2019 $000
Goods and services transferred at a point in time	83,098	151,623
	83,098	151,623

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

3. Employees and directors

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Wages and salaries	11,166	13,276	8,710	10,529
Social security costs	1,111	1,271	874	1,012
Other pension costs	1,451	633	1,195	327
	13,728	15,180	10,779	11,868

The average monthly number of employees during the year was as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Production	188	200	134	143
Sales and administration	42	45	40	43
	230	245	174	186

Directors

	2020 $000	2019 $000
Aggregate emoluments	975	1,596
Company contributions paid to defined contribution scheme	81	65

There are 3 directors accruing benefits under a defined contribution scheme (31 December 2019: 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 Superalloys UK Limited.

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

The amounts paid in respect of the highest paid director were as follows:

	2020 $000	2019 $000
Aggregate emoluments	529	1,097
Company contributions paid to defined contribution scheme	41	43

4. Other operating income

	2020 $000	2019 $000
Government grants receivable	32	32

5. Exceptionals

	2020 $000	2019 $000
Restructuring	567	-
Provision for site closure	520	-
	1,087	-

Restructuring
During the year a redundancy programme was conducted for a headcount reduction of 48 employees. The costs incurred for this programme were $567,000 (2019: nil).

Site closure
During the year a decision was made to close the Minworth site and relocate production to the Anglesey site. At the 31 December 2020, a provision was made for $520,000 (2019: nil) relating to the planned redundancies and the costs associated with vacating the leased property.

6. Finance income and expense

Recognised in the statement of profit or loss

	2020 $000	2019 $000
Finance income		
Interest on group cash pooling arrangements	1,923	2,640
Total finance income	1,923	2,640
Finance expense		
Bank interest payable	244	431
Group interest	108	113
Interest on pension scheme liabilities	241	155
Total finance expense	593	699
Net finance income recognised in the statement of profit or loss	1,330	1,941

7. (Loss)/ Profit before tax

	2020 $000	2019 $000
Cost of inventories recognised as expense	47,832	92,035
Depreciation	2,393	2,174
Amortisation	36	34
Profit on fixed assets	-	(189)
Auditor's remuneration - audit of these financial statements	112	122
Auditor's remuneration - audit of financial statements of subsidiaries	26	32

8. Tax expense

8.1 Income tax recognised in the statement of profit or loss

	2020 $000	2019 $000
Current tax		
Current tax on profits for the year	(335)	2,597
Adjustments in respect of prior years	62	(72)
Total current tax	(273)	2,525
Deferred tax expense		
Origination and reversal of timing differences	278	509
Adjustments in respect of prior years	49	74
Recognition of previously unrecognised deferred tax assets	396	-
Total deferred tax	723	583
	450	3,108
Total tax expense		
Tax expense	450	3,108
	450	3,108

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2020 $000	2019 $000
(Loss)/profit for the year	(767)	13,326
Income tax expense (including income tax on associate, joint venture and discontinued operation)	450	3,108
(Loss)/profit before income taxes	(317)	16,434
Tax using the Company's domestic tax rate of 19% (2019:19%)	(60)	3,122
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	3	44
Adjustments to tax charge in respect of prior periods	111	2
Rate adjustment for deferred tax	396	(60)
Total tax expense	450	3,108

8. Tax expense (continued)

8.2 Income tax recognised in other comprehensive income

	2020 $000	2019 $000
Current tax		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(63)	(48)
	(63)	(48)
Deferred tax		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(65)	(238)
Remeasurement of defined benefit obligation	423	1,474
	358	1,236
	295	1,188

8.3 Current tax assets and liabilities

	2020 $000	2019 $000
Corporation tax repayable	697	-
	697	-
Current tax liabilities		
Corporation tax payable	217	1,086
	217	1,086

9. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of profit or loss of the parent Company, AMG Superalloys UK Limited, is not presented as part of these financial statements. The parent Company's loss for the financial year was $677,000 before dividend income of $4,000,000 (2019: profit $11,311,000 before dividend income of $nil).

10. Dividends

No interim dividend has been paid in the year ended 31 December 2020 (2019: $nil). The directors recommended no final dividend be paid in respect of the year ended 31 December 2020.

11. Goodwill

Group and Company

	2020 $000	2019 $000
Net book value	1,510	1,510
	1,510	1,510

	2020 $000	2019 $000
Cost		
At 1 January	1,510	1,510
At 31 December	1,510	1,510
Accumulated impairment		
At 1 January	-	-
At 31 December	-	-

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

AMG Superalloys UK 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 Superalloys UK'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 2020 and 2019, the carrying amounts of the AMG Superalloys UK's units were determined to be lower than their recoverable amounts and no impairment losses were recognised.

12. Intangible assets

Group

	REACh costs $000
Cost	
At 1 January 2019	701
Disposals	(11)
At 31 December 2019	690
At 31 December 2020	690

	REACh costs $000
Accumulated amortisation and impairment	
At 1 January 2019	153
Charge for the year - owned	34
At 31 December 2019	187
Charge for the year - owned	36
At 31 December 2020	223
Net book value	
At 1 January 2019	548
At 31 December 2019	503
At 31 December 2020	467

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

12. Intangibles (continued)

Company

	REACh costs $000
Cost	
At 1 January 2019	682
Disposals	(11)
At 31 December 2019	671
At 31 December 2020	671

	REACh costs $000
Accumulated amortisation and impairment	
At 1 January 2019	150
Charge for the year - owned	33
At 31 December 2019	183
Charge for the year - owned	34
At 31 December 2020	217
Net book value	
At 1 January 2019	532
At 31 December 2019	488
At 31 December 2020	454

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

13. Property, plant and equipment

Group

	Land and buildings $000	Plant and machinery $000	Total $000
Cost or valuation			
At 1 January 2019	18,406	56,242	74,648
Additions	231	3,503	3,734
Disposals	-	(2,629)	(2,629)
At 31 December 2019	18,637	57,116	75,753
Additions	-	3,427	3,427
Disposals	-	(22)	(22)
At 31 December 2020	18,637	60,521	79,158

	Land and buildings $000	Plant and machinery $000	Total $000
Accumulated depreciation and impairment			
At 1 January 2019	14,563	47,405	61,968
Charge owned for the year	331	1,843	2,174
Disposals	-	(2,451)	(2,451)
At 31 December 2019	14,894	46,797	61,691
Charge owned for the year	331	2,062	2,393
Disposals	-	(22)	(22)
At 31 December 2020	15,225	48,837	64,062
Net book value			
At 1 January 2019	3,843	8,837	12,680
At 31 December 2019	3,743	10,319	14,062
At 31 December 2020	3,412	11,684	15,096

The Group did not have any borrowing costs to capitalise during the year ended 31 December 2020 (2019: $nil).

13. Property, plant and equipment (continued)

Company

	Land and buildings $000	Plant and machinery $000	Total $000
Cost			
At 1 January 2019	14,742	41,916	56,658
Additions	231	2,840	3,071
Disposals	-	(2,612)	(2,612)
At 31 December 2019	14,973	42,144	57,117
Additions	-	1,772	1,772
Disposals	-	(22)	(22)
At 31 December 2020	14,973	43,894	58,867

	Land and buildings $000	Plant and machinery $000	Total $000
Accumulated depreciation and impairment			
At 1 January 2019	11,765	34,876	46,641
Charge for the year	292	1,396	1,688
Disposals	-	(2,451)	(2,451)
At 31 December 2019	12,057	33,821	45,878
Charge for the year	293	1,599	1,892
Disposals	-	(22)	(22)
At 31 December 2020	12,350	35,398	47,748
Net book value			
At 1 January 2019	2,977	7,040	10,017
At 31 December 2019	2,916	8,323	11,239
At 31 December 2020	2,623	8,496	11,119

The Company did not have any borrowing costs to capitalise during the year ended 31 December 2020 (31 December 2020: $nil).

Securities
At 31 December 2020, 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. Please refer to note 26.

14. Investments

The Group and Company's investments at the statement of financial position date include the following:

AMG Alpoco UK Limited
Country of incorporation: England and Wales
Registered address: c/o AMG Superalloys UK Limited, Fullerton Road, Rotherham, S60 1DL
Nature of business: Manufacture of aluminium powder
Class of shares: Ordinary
% holding: 100

AMG UK Group Pension Trustee Limited
Country of incorporation: England and Wales
Registered address: c/o AMG Superalloys UK Limited, Fullerton Road, Rotherham, S60 1DL
Nature of business: Pension trustee
Class of shares: Ordinary
% holding: 100

15. Inventories

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Raw materials	3,637	3,468	3,571	2,597
Finished goods	14,216	5,539	11,254	4,580
Merchanting inventory	1,199	1,067	1,199	1,067
	19,052	10,074	16,024	8,244

The Group write down of inventories to net realisable value amounted to $1,056,000 (2019: $1,149,000) and the provision charged for slow-moving inventories amounted to $1,143,000 (2019: $1,193,000).

The Company write down of inventories to net realisable value amounted to $906,000 (2019: $1,076,000) and the provision charged for slow-moving inventories amounted to $1,108,000 (2019: $1,168,000).

Securities
At 31 December 2020, 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. Please refer to note 26.

16. Trade and other receivables

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Current:				
Trade receivables	12,143	8,218	11,290	6,837
Amounts receivable in respect of cash pooling arrangements	81,548	82,289	72,938	82,587
Amounts due from group undertakings	1,595	24,056	1,608	24,299
Prepayments and accrued income	1,439	2,942	1,261	2,359
Corporation tax repayable	697	-	697	-
	97,422	117,505	87,794	116,082

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.

As at 31 December, the analysis of trade receivables that were past due and impaired are as follows:

Group

	Gross 2020 $000	Impairment 2020 $000	Gross 2019 $000	Impairment 2019 $000
Current - not yet due	10,034	16	7,087	-
0 - 30 days	1,709	-	1,056	-
31 - 60 days	112	4	94	-
More than 60 days	366	58	(3)	16
	12,221	78	8,234	16

16. Trade and other receivables (continued)

Company

	Gross 2020 $000	Impairment 2020 $000	Gross 2019 $000	Impairment 2019 $000
Current - not yet due	9,315	14	6,066	-
0 - 30 days	1,607	-	809	-
31 - 60 days	104	4	(20)	-
More than 60 days	335	53	(13)	5
	11,361	71	6,842	5

The movements in the provision for impairment of receivables is as follows:

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
At 1 January	16	2	5	2
Charge for the year	78	16	71	5
Amounts recovered	(16)	(2)	(5)	(2)
	78	16	71	5

Factoring of Receivables
As of 31 December 2020, the Group had total receivables factored and outstanding of $3,297,000 (2019: $6,436,000). The Group sold receivables of $44,083,000 (2019: $60,528,000) through the year and incurred cost of $189,000 (2019: $327,000) in conjunction with the sales of these receivables of which $95,000 (2019: $210,000) were included in finance costs and $94,000 (2019: $117,000) 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 2020, the Company had total receivables factored and outstanding of $1,687,000 (2019: $4,386,000). The Company sold receivables of $28,557,000 (2019: $39,781,000) through the year and incurred cost of $126,000 (2019: $233,000) in conjunction with the sales of these receivables of which $65,000 (2019: $155,000) were included in finance costs and $61,000 (2019: $78,000) 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 2020, 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. Please refer to note 26.

17. Cash and cash equivalents

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Bank and cash balances	1,389	4,460	1,062	3,943

At 31 December 2020, the Group and the Company's borrowing facilities were $nil (2019: $nil).

At 31 December 2020, the Group and the Company had undrawn facilities on bank overdraft totaling £100 (2019: £100).

Securities
At 31 December 2020, 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. Please refer to note 26.

18. Share capital

Authorised

	2020 Number	2020 $000	2019 Number	2019 $000
Shares treated as equity				
Ordinary shares of £1.00 each	16,000,000	30,698	16,000,000	30,698
	16,000,000	30,698	16,000,000	30,698

Issued and fully paid

	2020 Number	2020 $000	2019 Number	2019 $000
Ordinary shares of £1.00 each				
At 1 January and 31 December	16,000,000	30,698	16,000,000	30,698

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.

19. 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, as disclosed in note 29.

20. Trade and other payables

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Current:				
Trade payables	20,801	25,375	10,211	15,113
Trade payables subject to interest	-	6,368	-	5,834
Amounts due to group undertakings	789	423	2,831	16,849
Social security and other taxes	383	425	383	425
Accruals	2,116	1,978	1,510	1,729
Deferred government grants	16	32	-	-
	24,105	34,601	14,935	39,950
Non current:				
Deferred government grants	-	16	-	-
Aggregate amounts	24,105	34,617	14,935	39,950

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.

For related party transactions refer to note 27.

20. *Trade and other payables (continued)*

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 totaling $32,000 (2019: $32,000) were credited to the statement of profit or loss during the year and included in other operating income.

21. Leases

Group

(i) Leases as a lessee (IFRS 16)

The Group has not entered into any leases in the year ended 31 December 2020.

The Group had no right of use assets at the 31 December 2020.

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

	2020 $000	2019 $000
Expenses relating to short-term leases	105	127
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	3	5

(ii) Operating leases - lessor

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

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

	2020 $000	2019 $000
Not later than one year	235	257
Between one and two years	-	235
Total undiscounted lease payments	235	492

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

	2020 $000	2019 $000
Lease income	257	257

22. Financial instruments

The Group and the Company enter into derivative financial instruments to manage the Group's currency and commodity price exposure. Other financial instruments including trade receivables and payables arise directly from the group's operations.

Trade and other receivables
The directors believe that the fair value of trade and other receivables approximates 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 approximates 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 2020 $000	Fair value 2020 $000	Carrying value 2019 $000	Fair value 2019 $000
Current financial assets				
Financial assets at amortised cost				
Trade and other receivables	95,983	95,983	114,563	114,563
Bank and cash balances	1,389	1,389	4,460	4,460
Derivative financial instruments				
Used for hedging	1,998	1,998	741	741
Total financial assets	99,370	99,370	119,764	119,764
Current financial liabilities				
Liabilities at amortised cost				
Trade and other payables	23,706	23,706	34,144	34,144
Derivative financial instruments				
Used for hedging	624	624	140	140
Total financial liabilities	24,330	24,330	34,284	34,284

22. Financial instruments (continued)

Company

	Carrying value 2020 $000	Fair value 2020 $000	Carrying value 2019 $000	Fair value 2019 $000
Current financial assets				
Financial assets at amortised cost				
Trade and other receivables	86,533	86,533	113,723	113,723
Bank and cash balances	1,062	1,062	3,943	3,943
Derivative financial instruments				
Used for hedging	1,998	1,998	741	741
Total financial assets	89,593	89,593	118,407	118,407
Current financial liabilities				
Liabilities at amortised cost				
Trade and other payables	14,552	14,552	39,525	39,525
Derivative financial instruments				
Used for hedging	624	624	140	140
Total financial liabilities	15,176	15,176	39,665	39,665

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:

31 December 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Forward contracts - hedged	-	1,998	-	1,998
Financial liabilities				
Forward contracts - hedged	-	624	-	624

22. Financial instruments (continued)

31 December 2019	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Forward contracts - hedged	-	741	-	741
Financial liabilities				
Forward contracts - hedged	-	140	-	140

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 2020 are as follows:

	Metric tonnes	Average price per tonne $	Fair value assets $000	Fair value liabilities $000
US dollar denominated contracts to purchase commodities:				
Aluminium forwards	1,850	1,695	648	(125)

The open commodity forward contracts as at 31 December 2019 are as follows:

	Metric tonnes	Average price per tonne $	Fair value assets $000	Fair value liabilities $000
US dollar denominated contracts to purchase commodities:				
Aluminium forwards	3,050	1,775	77	-

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

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Commodity cash flow hedges	447	390	447	390
Tax effect of commodity cash flow hedges	(101)	(40)	(101)	(40)
Other comprehensive charge	346	350	346	350

22. Financial instruments (continued)

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 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Commodity cash flow hedges	159	869	159	869

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) 2020	€3.170 million	1.113	140	(499)
Euro (versus USD) 2019	€7.258 million	1.118	29	(109)

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) 2020	£14.41 million	1.282	1,210	-
GBP (versus USD) 2019	£15.10 million	1.284	635	(31)

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

	Group 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Currency cash flow hedges	156	1,446	156	1,446
Tax effect of currency cash flow hedges	(27)	(246)	(27)	(246)
Other comprehensive gain	129	1,200	129	1,200

22. Financial instruments (continued)

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 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Currency cash flow hedges	528	651	528	651

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 2020 or 31 December 2019.

Hedging ineffectiveness at Group level
There was no ineffectiveness during the years ended 31 December 2020 or 31 December 2019.

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 2020 $000	Group 2019 $000	Company 2020 $000	Company 2019 $000
Commodity cash flow hedges	346	350	346	350
Currency cash flow hedges	129	1,200	129	1,200
Other comprehensive gain	475	1,550	475	1,550

23. Deferred tax

Group

	2020 $000	2019 $000
Balance at 1 January	1,495	842
Credit to the statement of profit or loss	(723)	(583)
Charge to other comprehensive income	358	1,236
	1,130	1,495

23. Deferred tax (continued)

	Statement of financial position				Statement of profit or loss	
	Assets		Liabilities			
	2020	2019	2020	2019	2020	2019
	$000	$000	$000	$000	$000	$000
Property, plant and machinery	-	-	875	724	151	189
Pension obligation	2,136	2,307	-	-	594	317
Financial instruments	-	-	170	105	-	-
Other taxable temporary differences	69	17	30	-	(22)	77
Net assets and liabilities	2,205	2,324	1,075	829		
Deferred tax charge					723	583

Company

	Statement of financial position				Statement of profit or loss	
	Assets		Liabilities			
	2020	2019	2020	2019	2020	2019
	$000	$000	$000	$000	$000	$000
Property, plant and machinery	-	-	818	646	172	212
Pension obligation	2,026	2,186	-	-	603	331
Financial instruments	-	-	170	105	-	-
Other taxable temporary differences	-	16	30	-	46	77
Net assets and liabilities	2,026	2,202	1,018	751		
Deferred tax charge					821	620

23. Deferred tax (continued)

Deferred tax on machinery and property relates to tax allowances in excess of depreciation.

Unrecognised deferred tax assets and liabilities
There are no unrecognised deferred tax assets and liabilities.

Changes in tax rates and factors affecting the future tax charges
A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Finance Bill 2021 included provisions to increase the main rate of corporation tax to 25% from 1 April 2023. However, as this has not been enacted, balances at 31 December 2020 were measured at 19%. The amended tax rate would have caused a $696k increase in the deferred tax liability and $322k increase in the deferred asset for 2020.

The balances as at the 31 December 2019 were measured at 17%.

24. Defined benefit schemes

AMG Superalloys UK 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').

	2020 $000	2019 $000
2006 Pension Plan	(9,871)	(12,058)
Additional Pension Plan	(1,371)	(1,510)
	(11,242)	(13,568)

The group offers retirement benefit plans to its employees. The defined benefit section of the 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 are 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 were discounted at the current rate of return on high quality corporate bonds of an equivalent term of the liability. Actuarial gains and losses were 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 and Additional Pension Plan are initially valued in full in accordance with IAS19. The assets and liabilities are then split between AMG Superalloys UK Limited and AMG Alpoco UK Limited. The liability of each member, as calculated at the last full actuarial valuation, is used to calculate the overall proportion of each company's liability (member data taken at December 2018 was used to identify the employees of each company). The relevant percentage is applied to all items from the latest IAS19 calculations (excluding company contributions) and the appropriate assets, liabilities, income and expense are recognised in the relevant company. The level of company contributions to be paid is set by the trustees and company at the time of each triennial valuation.

24. Defined benefit schemes (continued)

In June 2018 the Trustee of the Additional Pension Plan purchased a buy-in policy with Aviva to improve the financial stability of the Plan, to reduce investment risk and to improve the security of future pension payments to the beneficiaries. Following the purchase of the annuity there was a further period of data cleansing and data validation work of the member data which highlighted a couple of areas where the data held by the pension administrators was incorrect. The resubmission of the corrected member data has resulted in a higher premium being quoted by the insurer to fully insure all members of the Plan. This has been reflected in the 2019 year end figures.

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 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 2020.

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.

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

	2020 $000	2019 $000
Present value of funded obligations	(122,228)	(112,612)
Fair value of plan assets	110,986	99,044
Net liability	(11,242)	(13,568)

The amounts recognised in the statement of profit or loss are as follows:

	2020 $000	2019 $000
Service costs	-	134
Net interest	241	155
Expenses	529	493
Gain from settlements	-	(1,047)
	770	(265)

24. Defined benefit schemes (continued)

Actual return on plan assets	12,493	12,529

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

	2020 $000	2019 $000
Opening defined benefit obligation	112,612	95,282
Service cost	-	134
Net interest	2,078	2,475
Expenses	-	493
Benefits paid, death in service insurance premiums and expenses	(5,647)	(6,739)
Liabilities extinguished on settlements	-	(1,047)
Exchange rate movements	3,723	3,373
Remeasurement:		
Actuarial (gains)/ losses from changes in demographic assumptions	(31)	3,531
Actuarial losses from changes in financial assumptions	9,493	8,391
Actuarial losses due to scheme experience	-	6,719
	122,228	112,612

Changes in fair value of scheme assets are as follows:

	2020 $000	2019 $000
Opening fair value of scheme assets	99,044	88,514
Contributions by scheme participants	2,278	1,605
Interest income	1,837	2,320
Benefits paid, death in service insurance premiums and expenses	(6,176)	(6,739)
Exchange rate movements	3,347	3,135
Remeasurement:		
Return on plan assets (excluding interest income)	10,656	10,209
	110,986	99,044

24. Defined benefit schemes (continued)

The amounts recognised in other comprehensive income are as follows:

	2020 $000	2019 $000
Actuarial gains/ (losses) from changes in demographic assumptions	31	(3,531)
Actuarial losses from changes in financial assumptions	(9,493)	(8,391)
Actuarial losses due to scheme experience	-	(6,719)
Return on plan assets (excluding interest income)	10,656	10,209
Exchange rates	(376)	(238)
	818	(8,670)

The major categories of scheme assets as amounts of total scheme assets are as follows:

	2020 $000	2019 $000
Diversified growth funds	66,364	60,261
LDI	25,736	20,982
Cash	356	(1,422)
Outstanding premiums	(1,540)	-
Other	20,070	19,223
	110,986	99,044

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2020	2019
Rate used to discount liabilities	1.25%	1.95%
Inflation (RPI)	3.20%	3.15%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.20%	3.15%
Allowance for pension in payment increases or 5% p.a. if less	3.10%	3.05%
Allowance for commutation of pension for cash at retirement (2006 Pension Plan)	70.00%	50.00%

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:

Males retiring in 2020	21.1
Females retiring in 2020	23.0
Males retiring in 2040	22.1
Females retiring in 2040	24.2

24. Defined benefit schemes (continued)

Analysis of sensitivity to the principal assumption of the present value of the defined benefit obligation:

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 1% p.a.	Increase by 13.0%
Rate of inflation	Increase of 0.5% p.a.	Increase by 1.1%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 6.1%

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 2020 is 12 years.

Defined Contribution Scheme
The total expense as of 31 December 2019, recognised in the statement of profit or loss of $1,020,213 (2019: $1,136,506) represents contribution paid and payable to these plans.

25. Ultimate parent company

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

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

26. Contingent liabilities

The Group has given guarantees to HM Revenue and Customs in respect of deferred duty. At 31 December 2020, the guarantee amounted to $60,000 (31 December 2019: $60,000).

The Group is party to an Invoice Discounting Agreement with KBC Commercial Finance NV and has a fixed charge over its book debts and the proceeds of book debts. This facility will be taken over by ABN AMRO Asset Based Finance N.V as at 11 January 2021.

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 it's assets to participate in those group banking facilities. As of 1 February 2018, 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. Proceeds from the facility were used to repay AMG Advanced Metallurgical Group N.V.'s previous credit facility.

At 31 December 2020, there was $335m outstanding in term loans and revolving credit facility (2019: $337m). 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 25.

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

27. 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.

27.1 Transactions with entities within the group

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchases of goods	
	2020	2019	2020	2019
	$000	$000	$000	$000
Ultimate parent company	-	-	856	1,230
Fellow subsidiaries of larger group	9,245	52,488	1,240	780
	9,245	52,488	2,096	2,010

Included in purchase of goods is $856,284 (2019: $1,230,014) charge from the ultimate parent company representing a management service fee.

Included in sale of goods is $3,124,936 (2019: $4,406,921) charge to fellow subsidiaries of the larger group for the recharge of accounting, IT and purchasing services.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	$000	$000	$000	$000
Ultimate parent company	-	-	147	23
Fellow subsidiaries of larger group	1,594	24,056	642	400
	1,594	24,056	789	423

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.

27. Related party transactions (continued)

27.2 Compensation of key management personnel

The directors are considered to be the only key management personnel. K Lawson, L M Scaife and M D Haw are considered to have performed qualifying services and their remuneration is disclosed below 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 Superalloys UK Limited.

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

The remuneration of the directors and other members of key management personnel during the year was as follows:

	2020 $000	2019 $000
Short-term benefits	1,047	1,083
Post-employment benefits	81	66
Share-based payments	51	727
	1,179	1,876

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to post-employment defined contribution plan (Note 3).

27.3 Group cash pooling arrangement

Other related party transactions are as follows:

Related party relationship		**Interest**		**Debtor**
	2020 $000	**2019 $000**	**2020 $000**	**2019 $000**
Fellow subsidiaries of the larger group	1,816	2,640	81,548	82,289

The arrangement bore interest at EURIBOR monthly average plus 2.875% on debit balances. A separate 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.

28. Capital commitments

At 31 December 2020, the capital commitments for the Group and Company were $1,067,000 (2019: $434,013).

29. 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 2020 AMG Group issued 6,085 (2019: 3,739) 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 2018 through 2020:

	2020 Grant	2019 Grant	2018 Grant
Share prices at grant date	€19.31	€31.43	€37.72
Contractual life at issuance	3	3	3
Expected volatility	44.00%	40.03%	38.04%
Expected departures at grant	8%	8%	7%

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 2020 grants. The risk free rate does not have a significant impact on the valuation of the awards.

The Company recorded expense of $36,199 (2019: $142,744) 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, 2019, nil PSUs were forfeited (2019: nil). The total number of equity settled PSUs outstanding as of December 31, 2019 was 12,938 (2019: 11,003).

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 2020 (2019: 1.75x). During the year ended 31 December 2020, 4,150 shares (2019: 11,453) were paid out with respect to the vesting of equity-settled performance share units granted in 2017.

30. Capital management, financial risk objectives and policies

30.1 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. Its policy is to ensure that the debt levels are manageable to the Group and that they are not increasing at a level that is in excess of the increases that occur within equity.

The Group's principal financial liabilities are comprised of payables to affiliates and trade payables. The

30. Capital management, financial risk objectives and policies (continued)

30.1 Capital Management (continued)

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.

30.2 Foreign currency risk management

Currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group's functional currency is US Dollars. A significant proportion of the group's purchases and sales are in US Dollars. However, the Group has exposures to purchases and sales made in Sterling and sales made in Euros.

The Group has developed policies to manage effectively the Group's currency exposures and minimise the risks of currency fluctuations on a group level and uses forward currency contracts.

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	
	2020	2019	2020	2019
	$000	$000	$000	$000
Profit or loss	(8)	1	(208)	(145)

30. Capital management, financial risk objectives and policies (continued)

30.3 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.

30.4 Credit risk - customer 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 16 - $13,738,000 (2019: $32,274,000). The Group closely monitors its due but unimpaired receivables as detailed in note 16.

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

30.5 Commodity 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 Group. The Group is exposed to volatility in the prices of aluminium publicly traded on the London Metal Exchange and uses forward contracts to manage these exposures.

The following table demonstrates the sensitivity to a reasonable possible change in the market price of these publicly traded commodities. Changes in sensitivity rates reflect various changes in the economy year over year. The table details the Group's sensitivity to a 5% increase and decrease in relation to commodity prices. A positive number below indicates an increase in profit where the relevant commodity price strengthens 5%. For a 5% weakening of the commodity price, there would be a comparable impact on the profit, and the balances below would be negative.

	2020 $000	2019 $000
Aluminium	110	22
Nickel	21	7
	131	29

30. Capital management, financial risk objectives and policies (continued)

30.6 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 undertaking 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 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 obligation	-	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	-	-	-
Total	24,729	33,022	17,561	10,833	2,247	2,194	187

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	<3 months	3-12 months	2021	2022	>2023
	$000	$000	$000	$000	$000	$000	$000
Pension plan obligation	-	14,407	570	1,708	2,326	2,374	7,429
Trade and other payables	34,601	34,601	28,740	5,861	-	-	-
Financial derivatives	140	140	64	76	-	-	-
Non-cancellable low value leases	-	5	3	2	-	-	-
Total	34,741	49,153	29,377	7,647	2,326	2,374	7,429

It is not expected that the timing or amount of contractual commitments would differ significantly from the above table.

31. Accounting estimates and judgements

Provision for bad debt

The Group has a policy of providing for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. In addition the Group reviews trade receivables which are overdue by 60 days or more, and generally provides for these unless the amounts are considered recoverable. It is management's judgement that where this is the case the whole debt relating to the customer is provided for even if not yet due, as the risk of default is considered high. The amount recorded as a provision for potential bad debts at 31 December 2020 was $78,000 (2019: $16,000) for the Group and $71,000 (2019: $5,000) for the Company.

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
- 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 2020 was $2,199,000 (2019: $2,342,000) for the Group and $2,014,000 (2019: $2,244,000) for the Company.

Impairment

The Group has a policy to review the carrying amounts of the Group's assets 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 and 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 or loss.

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 are given in note 24.

32. New and amended standards

The following new standards became effective for annual periods beginning after 1 January 2020; however, these amended standards and interpretations did not have a significant impact on the Company's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Interest Rate Benchmark Reform (Amendments to IFRS 7, IFRS 9, and IAS 39).
- Definition of Material (Amendments to IAS 1 and IAS 8).

33. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- COVID-19 - Related Rent Concession (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

34. Events after the reporting date

Group

Site closure
Following the year end the Minworth site closed on the 12th April 2021. The Directors made the decision to close the Minworth site during 2020. Therefore, as at 31 December 2020, an exceptional provision of $520k was booked in relation to this closure (note 5). This restructuring cost includes employee termination, fixed asset write offs, plant removal costs and dilapidation for the leased building. Production has been relocated to the Anglesey site.

Invoice discounting facility
The Group's Invoice Discounting facility will be taken over by ABN Amro Asset Based Finance N.V. as at 11 January 2021. This agreement was previously held with KBC Commercial Finance N.V.