Registered number: 00961050

AMG ALPOCO UK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Directors	K Lawson L M Scaife
Company secretary	T R C Palmer
Registered number	00961050
Registered office	C/O AMG Superalloys UK Limited 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

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for the year ended 31 December 2019.

REVIEW OF BUSINESS

The Company Statement of Profit or Loss for the year is set out on page 12. Capital expenditure was $663,000 (2018: $452,000).

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

	2019 $000	2018 $000
Revenue	39,638	44,647
Profit before tax	2,495	3,958
Total equity	11,068	9,321
EBITDA	3,009	4,532
Return on capital employed	21.7%	86.2%

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 $nil (2018: $nil) and exceptional items $nil (2018: $nil). 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.

Overall the performance for the year was considered good by the directors with EBITDA profitability at $3.0m for the year.

Sales revenues reduced by $5.0m mostly due to the decrease in the LME from $2,110 per tonne in 2018 to $1,791 per tonne ($4.0m) and a 3% reduction in sales volumes. The reduction in sales volumes reflects the reduction in demand in the paints and pigments industry and also a specific customer's project requirements. The company continues its strategy to increase its focus on value added products & industries.

Profit before tax and EBITDA have been impacted by the reduced sales volumes.

Return on capital employed reduced to 21.7% due to the reduction in profitability and an increase in the inter-group receivable amount from its parent company AMG Superalloys UK Limited.

Following the 2016 EU referendum, the invoking of Article 50 of the Treaty of the European Union and the subsequent Brexit negotiations the Company has not been adversely impacted. The company's local operating costs have been reduced by the devaluation of sterling but partially offset by the reduced value of sterling sales. This is discussed in more detail in the BREXIT section of this report.

Principal risks and uncertainties

The management of the business is subject to a number of risks. The key business risks affecting the Company 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. New entrants may also increase competition in the powder industry, which could adversely affect the Company.

Currency exchange and metal price volatility

The Company's functional currency is US Dollars. A significant proportion of the Company's raw material purchases and sales are in US Dollars. However, the Company has exposures to purchases and sales made in Sterling and sales made in Euros. The Company has developed policies to manage effectively its currency exposures and minimise the risks of currency fluctuations. The Company has exposures to changes in the price of aluminium, which is publicly traded on the London Metal Exchange. The Company monitors and manages its exposures to aluminium price risk and has a hedging policy with the aim of minimising the risks of price fluctuations. The foreign currency and metal hedging process is performed by the Company's parent company, AMG Superalloys UK Limited.

Customer risk

The Company is exposed to the risk of customers defaulting on trade debtors 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 Company 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 Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations. In addition, the Company's ultimate parent company has banking facilities in place, in the event further cash flow is required.

BREXIT

The Company has continued to prepare for Brexit since the referendum result to leave the European Union. On 31 January 2020 the United Kingdom formally left the European Union and is in a transition period which is due to come to an end on 31st December 2020.

As at the time of writing this report the full talks between the UK & the EU have yet to be concluded and have been delayed due to the COVID-19 pandemic so it is unknown whether a trade deal will be reached before the deadline date of 31st December 2020.

This uncertainty has continued to make it difficult for the company to plan and assess the expected financial impact of Brexit. Preparations are being made in case of a no deal Brexit, in accordance with latest advice from government. The directors' and senior management team's latest assessment of the risks and uncertainties of Brexit are summarised below:

- Currency – as the company's functional currency is US Dollars the weakening in Sterling has continued to positively impact the statement of profit and loss since the referendum result. The net saving for the year ended 31st December 2019 was $244k.
- Customers – as and when required the company is in communication with its customers on an individual basis. If tariffs are imposed on our goods then pricing discussions will take place with customers on an individual basis. Our customers are aware of potential issues in goods being delayed from the UK and into the EU. We believe that short delays may be possible but that these would not be significant to warrant warehousing of stock in Europe or have a significant impact to customers.
- Supply chain – the company purchases goods and services across the world but its exposure in Europe continues to be limited so the risk of delays in deliveries from Europe is considered small.
- Indirect taxes – the financial impact is dependent upon whether there is a hard or soft Brexit. If there is a hard Brexit and WTO tariffs applied then the company would be impacted by an increase in duty costs of approximately $397k until favourable trade agreements came into force. If a full soft Brexit occurred and trade agreements were negotiated then there would be no financial impact.
- Indirect taxes – the company avails itself of all available duty relief programmes for custom duties and has increased its authorisation limits to reflect any changes following Brexit.
- Administration – the company already sells across the world so already has the systems in place to deal with the increased administration of European sales being treated as full exports.
- REACh registrations – the company has a number of REACh registrations which will shortly be transferred to an only representative in order to be able to import and export registered products from the EU. A draft contract has been agreed with an only representative and this will be signed shortly. We will then have to apply for the equivalent registrations under new UK regulations which will mirror the European REACh registrations.
- Impairment of assets risk – this has been assessed and no assets are considered to be impaired as at the statement of financial position date.
- Exporting - the requirements for exporting into Europe have been reviewed and we are in the process of applying for EU EORI, VAT registrations in a number of countries and appointing fiscal representatives.

COVID-19

Protecting the health and safety of employees has been a top priority for AMG Alpoco UK Limited. 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 continue to comply with 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 critical 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 significant impact of COVID-19 only came to light in early 2020 and therefore this situation is being treated by the company as a non-adjusting event requiring disclosure in these financial statements.

The global economic slowdown and overall market uncertainty caused by COVID-19 has impacted the financial performance of AMG Alpoco UK Limited. The Company has seen its order book reduce due to our customers across the world reducing their output or shutting down for periods of time.

The operations at Alpoco have remained open as an essential business but where the order book had reduced significantly for a period of time some temporary shutdown at the Minworth manufacturing plant has occurred to ensure that the company did not build up unnecessary inventory & 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 Company has utilised the Government's Job Retention Scheme where possible. The Company 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 Company has been regularly preparing reforecasts during 2020. Whilst the financial results for 2020 have been significantly impacted by COVID-19, the directors consider the business to be a going concern, underpinned by a strong balance sheet and good future prospects post COVID-19.

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

....
T R C Palmer
Secretary
Date: 15 December 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is the manufacture of aluminium powder and aluminium powder alloys.

Dividends

The directors recommended no final dividend be paid.

The total distribution for the year ended 31 December 2019 is $nil (2018: $2,000,000).

Directors

The directors who served during the year and to the date of signature of these accounts were:

K Lawson
L M Scaife

Future developments

The directors believe that the Company is in a good financial position. The Company continues to invest in product development, process improvements and capital projects. An indication of likely future events which have occurred since the end of the financial year have been included in the Strategic Report on pages 5 - 6.

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'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's auditor is aware of that information.

Auditor

Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 15 December 2020 and signed on its behalf.

T R C Palmer
Secretary

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of AMG Alpoco UK Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- 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 company 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill1 and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 ALPOCO 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

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

15 December 2020

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $000	2018 $000
Revenue	2	39,638	44,647
Cost of sales		(35,942)	(39,448)
Gross profit		3,696	5,199
Other operating income	4	32	32
Administrative expenses		(1,206)	(1,117)
Profit from operations		2,522	4,114
Finance income	5	133	82
Finance expense	5	(160)	(238)
Profit before tax	6	2,495	3,958
Tax expense	7	(479)	(747)
Profit for the year		2,016	3,211

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $000	2018 $000
Profit for the year		2,016	3,211
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	21	(324)	(74)
Tax relating to items that will not be reclassified	7	55	14
Other comprehensive income for the year, net of tax		(269)	(60)
Total comprehensive income		1,747	3,151

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

REGISTERED NUMBER: 00961050

	Note	2019 $000	2018 $000
ASSETS			
NON CURRENT ASSETS			
Intangible assets	9	15	16
Property, plant and equipment	10	2,824	2,664
Deferred Tax	20	122	54
		2,961	2,734
CURRENT ASSETS			
Inventories	11	1,346	1,543
Trade and other receivables	12	18,390	19,605
Bank and cash balances	13	517	445
		20,253	21,593
TOTAL ASSETS		23,214	24,327

STATEMENT OF FINANCIAL POSITION (continued) **REGISTERED NUMBER: 00961050**
AS AT 31 DECEMBER 2019

	Note	2019 $000	2018 $000
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	14	837	837
Other reserves	15	(527)	(258)
Retained earnings		10,758	8,742
TOTAL EQUITY		11,068	9,321
LIABILITIES			
NON CURRENT LIABILITIES			
Trade and other payables	16	16	48
Pension Liability	21	707	310
Deferred tax	20	78	100
		801	458
CURRENT LIABILITIES			
Trade and other payables	16	11,134	13,788
Corporation tax	17	211	760
		11,345	14,548
TOTAL LIABILITIES		12,146	15,006
TOTAL EQUITY AND LIABILITIES		23,214	24,327

The financial statements were approved by the Board of Directors on 15 December 2020 and were signed on its behalf by:

L Scaife
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital $000	Other reserves $000	Retained earnings $000	Total equity $000
At 1 January 2018	837	(198)	7,531	8,170
Profit for the year	-	-	3,211	3,211
Total comprehensive income for the year	-	-	3,211	3,211
Dividends	-	-	(2,000)	(2,000)
Actuarial losses on defined benefit schemes	-	(74)	-	(74)
Tax effect of amounts in other comprehensive income	-	14	-	14
Total contributions by and distributions to owners	-	(60)	(2,000)	(2,060)
At 31 December 2018	837	(258)	8,742	9,321
At 1 January 2019	837	(258)	8,742	9,321
Profit for the year	-	-	2,016	2,016
Total comprehensive income for the year	-	-	2,016	2,016
Actuarial losses on defined benefit schemes	-	(324)	-	(324)
Tax effect of amounts in other comprehensive income	-	55	-	55
Total contributions by and distributions to owners	-	(269)	-	(269)
At 31 December 2019	837	(527)	10,758	11,068

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $000	2018 $000
Cash flows (used in)/ from operating activities		
Profit for the year	2,016	3,211
Adjustments for		
Depreciation of property, plant and equipment	486	417
Amortisation of intangible fixed assets	1	1
Net finance costs	27	156
Loss on sale of property, plant and equipment	17	69
Income tax expense	479	747
	3,026	4,601
Movements in working capital:		
Increase in trade and other receivables	(1,654)	(482)
Decrease in inventories	197	152
Decrease in trade and other payables	(2,970)	(324)
Increase/(decrease) in provisions and employee benefits	82	(41)
Decrease in deferred revenue	(32)	(32)
Cash (used in)/ generated from operations	(1,351)	3,874
Interest paid	(65)	(53)
Income taxes paid	(1,063)	(308)
Net cash (used in)/ from operating activities	(2,479)	3,513
Cash flows used in investing activities		
Purchases of property, plant and equipment	(663)	(452)
Sale of property, plant and equipment	-	(48)
Net cash used in investing activities	(663)	(500)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $000	2018 $000
Cash flows from/ (used in) financing activities		
Cash pooling arrangements	3,167	(1,442)
Net interest on cash pooling arrangements	47	335
Dividends paid to the parent	-	(2,000)
Net cash from/ (used in) financing activities	3,214	(3,107)
Net cash increase/ (decrease) in cash and cash equivalents	72	(94)
Cash and cash equivalents at the beginning of year	445	539
Cash and cash equivalents at the end of the year	517	445

1. Accounting policies

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ('IFRS') and in accordance with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the defined benefit liability which is measured at fair value of the plan assets less the present value of the defined obligation.

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 Company finances its working capital needs through its available cash balances (refer note 13) as well as the cash pooling facilities (refer note 25). 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 Company 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 Company 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 Company 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 12 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;
- One 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; and
- Possible Brexit implications with additional tariff and custom declarations.

Although highly unlikely that all of these scenarios would occur simultaneously, in the severe downside scenario, taking the impact on cashflow of all of these scenarios together, the Company would continue to maintain a strong cash position which is considered by the board sufficient to support the on-going needs of the business.

1. Accounting policies (continued)

1.2 Going concern (continued)

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 Revenue

The Company'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 Company'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 the fixed contractual term.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

1.4 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.

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Deferred taxation</u>
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 other comprehensive income. Deferred tax assets and deferred tax

1. Accounting policies (continued)

liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

1.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Company 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 Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the 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 Company 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.

1.6 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. These are amortised over 20 years.

1. Accounting policies (continued)

1.7 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 the statement of 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 Company.

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%	straight line
Plant, machinery and fittings	10%	straight line
Fixtures and fittings	10%	straight line

1.8 Leasing

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

From 1 January 2019, at inception of a contract, the Company assessed 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 Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

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

Prior to the 1 January 2019, rentals under an operating lease were charged to the statement of profit and loss on a straight line basis over the lease's term. There were no lease arrangements classified as finance leases.

1.9 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through the statement of other comprehensive income or through the statement of profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or the statement of other comprehensive income. For investments in equity instruments that are not

1. Accounting policies (continued)

held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Trade and other receivables
Trade and other receivables are recorded at the invoiced amount. The Company 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 Company 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 Company'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
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Derivative financial instruments

The Company does not have any derivative financial instruments as at 31 December 2019 (2018: none).

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.

1.12 Foreign currencies

These financial statements are presented in US Dollars, which is the Company'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 2019 was USD $1 = £0.758.

1. Accounting policies (continued)

1.13 Employee benefit costs

Defined contribution plan
A defined contribution plan is a post-employment benefit plan under which the Company 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 participates 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 Company'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.

1.14 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 26: Accounting estimates and judgements.

1. Accounting policies (continued)

1.15 Finance income and expenses

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 and 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.

1.16 Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to pay.

<u>Financial liabilities</u>
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.

1.17 Provisions

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

- the Company 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. Accounting policies (continued)

1.18 Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company'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 or 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.

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 Chief Executive Officer, 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 Company accounts.

The Company reports on one reportable segment:

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

	2019 $000	2018 $000
Sale of goods	39,638	44,647
	39,638	44,647

Analysis of revenue by country of destination:

	2019 $000	2018 $000
United Kingdom	18,827	21,211
Rest of Europe	11,937	12,840
Rest of the world	8,874	10,596
	39,638	44,647

The Company's non-current assets were all located within the UK for 2018 and 2019.

Timing of revenue recognition:

	2019 $000	2018 $000
Goods and services transferred at a point in time	39,638	44,647
	39,638	44,647

All Company revenues are received from the provision of goods, no revenues are received in relation to the provision of services.

3. Employees and directors

	2019 $000	2018 $000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	2,746	2,568
National insurance	259	240
Defined contribution pension cost	243	223
Defined benefit scheme cost	64	(55)
	3,312	2,976

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

	2019	2018
Production	57	55
Sales and administration	2	3
	59	58

Directors

	2019 $000	2018 $000
Aggregate emoluments	1,587	1,656
Company contributions paid to defined contribution scheme	64	54

There are two directors accruing benefits under a defined contributions scheme (2018: two). All directors of the Company are considered to have performed qualifying services to the company and their remuneration is disclosed above as total remuneration for services to the AMG Advanced Metallurgical Group N.V. group. This amount is paid by the Company's immediate parent company, AMG Superalloys UK Limited. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

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

	2019 $000	2018 $000
Aggregate emoluments	1,097	1,122
Company contributions paid to defined contribution scheme	43	34

4. Other operating income

	2019 $000	2018 $000
Government grants	32	32
	32	32

5. Finance income and expense

Recognised in profit or loss

	2019 $000	2018 $000
Finance income		
Interest receivable from cash pooling arrangements	133	82
Total finance income	133	82
Finance expense		
Bank interest payable	65	54
Interest payable to cash pooling arrangements	86	177
Net pension interest payable	9	7
Total finance expense	160	238
Net finance expense recognised in profit or loss	(27)	(156)

6. Profit before tax

	2019 $000	2018 $000
Cost of inventories recognised as expense	25,979	30,365
Depreciation - owned assets	486	417
Amortisation	1	1
Loss on disposal of fixed assets	17	89
Auditor's remuneration - audit of these financial statements	32	21

7. Tax expense

7.1 Income tax recognised in profit or loss

	2019 $000	2018 $000
Current tax		
Current tax on profits for the year	513	773
Adjustments in respect of prior years	1	(2)
Total current tax	514	771
Deferred tax expense		
Origination and reversal of timing differences	(35)	(19)
Adjustments in respect of prior years	-	(5)
Total deferred tax	(35)	(24)
	479	747
Total tax expense		
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	479	747
	479	747

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:

	2019 $000	2018 $000
Profit for the year	2,016	3,211
Income tax expense	479	747
Profit before income taxes	2,495	3,958
Tax using the Company's domestic tax rate of 19% (2018:19%)	474	752
Adjustments to tax charge in respect of prior periods	1	(7)
Short term timing difference leading to an increase/(decrease) in taxation	4	2
Total tax expense	479	747

7. Tax expense (continued)

7.2 Income tax recognised in other comprehensive income

	2019 $000	2018 $000
Remeasurement of defined benefit obligation	55	14
	55	14

8. Dividend

The directors recommended no final dividend be paid. No interim dividend has been paid in the year ended 31 December 2019 (2018: $2,000,000).

9. Intangible assets

	REACh $000
Cost	
At 1 January 2018	19
At 31 December 2018	19
At 31 December 2019	19

	REACh $000
Accumulated amortisation and impairment	
At 1 January 2018	2
Charge for the year	1
At 31 December 2018	3
Charge for the year	1
At 31 December 2019	4
Net book value	
At 1 January 2018	17
At 31 December 2018	16
At 31 December 2019	15

9. Intangible assets (continued)

In 2013 the Company capitalised certain costs relating to the Registration, Evaluation, Authorisation & Restriction of Chemicals (REACh).

10. Property, plant and equipment

	Freehold property $000	Plant and machinery $000	Fixtures and fittings $000	Total $000
Cost or valuation				
At 1 January 2018	3,684	14,209	306	18,199
Additions	-	444	8	452
Disposals	-	(67)	-	(67)
At 31 December 2018	3,684	14,586	314	18,584
Additions	-	663	-	663
Disposals	-	(17)	-	(17)
At 31 December 2019	3,684	15,232	314	19,230

	Freehold property $000	Plant and machinery $000	Fixtures and fittings $000	Total $000
Accumulated depreciation and impairment				
At 1 January 2018	2,779	12,464	306	15,549
Charge owned for the year	39	377	1	417
Disposals	-	(46)	-	(46)
At 31 December 2018	2,818	12,795	307	15,920
Charge owned for the year	40	444	2	486
At 31 December 2019	2,858	13,239	309	16,406
Net book value				
At 1 January 2018	905	1,745	-	2,650
At 31 December 2018	866	1,791	7	2,664
At 31 December 2019	826	1,993	5	2,824

10. Property, plant and equipment (continued)

The Company did not have any borrowing costs to capitalise during the year ended 31 December 2019 (2018: $nil).

Securities
At 31 December 2019, the Company's land and buildings and plant and machinery are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

11. Inventories

	2019 $000	2018 $000
Raw materials	406	345
Finished goods and goods for resale	940	1,198
	1,346	1,543

The write down of inventories to net realisable value amounted to $25,000 (2018: $15,000) and the provision charged for slow-moving inventories amounted to $73,000 (2018: $94,000).

Securities
At 31 December 2019, the Company's inventories are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

12. Trade and other receivables

	2019 $000	2018 $000
Current:		
Trade receivables	1,381	1,932
Amounts due from group undertakings	16,426	13,338
Other receivables	438	1,369
Prepayments	145	97
Cash pooling	-	2,869
	18,390	19,605

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

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

12. Trade and other receivables (continued)

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

	Gross 2019 $000	Impairment 2019 $000	Gross 2018 $000	Impairment 2018 $000
Current - not yet due	1,020	-	2,054	-
0 - 30 days	247	-	(127)	-
30 - 60 days	114	-	5	-
More than 60 days	11	11	-	-
	1,392	11	1,932	-

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

	2019 $000	2018 $000
At 1 January	-	-
Charge for the year	11	-
Amounts recovered	-	-
	11	-

Factoring of receivables
As of 31 December 2019, the Company had total receivables factored and outstanding of $2,050,000 (2018: $2,689,000). The Company sold receivables of $20,567,000 (2018: $25,178,000) throughout the year and incurred cost of $94,000 (2018: $99,000) in conjunction with the sales of these receivables of which $55,000 (2018: $54,000) were included in finance costs and $39,000 (2018: $45,000) were recorded 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 2019, the Company's trade and other receivables are being pledged against financing loans and revolving credit facility taken out by AMG Advanced Metallurgical Group N.V., the Company's ultimate parent company. Please refer to note 23.

13. Cash and cash equivalents

	2019 $000	2018 $000
Bank accounts	517	445

At 31 December 2019, the Company did not have borrowing facilities (2018 - $nil). Funding, if required, is provided by the Company's parent company, AMG Superalloys UK Limited.

Securities
At 31 December 2019, the Company'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 Company's ultimate parent company. Please refer to note 23.

14. Share capital

Authorised

	2019 Number	2019 $000	2018 Number	2018 $000
Shares treated as equity				
Ordinary shares of £1.00 each	436,037	837	436,037	837
	436,037	837	436,037	837

Issued and fully paid

	2019 Number	2019 $000	2018 Number	2018 $000
Ordinary shares of £1.00 each				
At 1 January and 31 December	436,037	837	436,037	837

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.

15. Reserves

Other reserves

The other reserves represent the gains and losses recognised through other comprehensive income relating to the Company's defined benefit scheme as detailed in note 20.

16. Trade and other payables

	2019 $000	2018 $000
Current:		
Trade payables	9,887	13,250
Trade payables subject to interest	534	-
Amounts due to group undertakings	243	175
Cash pooling	298	-
Other creditors	140	331
Deferred government grants	32	32
	11,134	13,788
Non current:		
Deferred government grants	16	48
Aggregate amounts	11,150	13,836

The Company has exposure to payables denominated in currencies other than the functional currency. Where significant exposure exists, the Company's parent company enters into appropriate foreign exchange contracts on a group level. Trade payables are non-interest bearing and are normally settled on 30 to 60 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 25.

Government grants
In 2011 the Company 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 the grant of 9 years. Amounts totaling $32,000 (2018: $32,000) were credited to the income statement during the year and included in cost of sales.

17. Tax

	2019 $000	2018 $000
Corporation tax payable	211	760

18. Leases

Operating leases - lessee under IAS17

Future minimum lease payments under non cancelable operating leases as at 31 December 2018:

	2018 $000
Not later than one year	9
Between one year and five years	5
	14

Leases - lessee under IFRS16

The Group has entered into no leases in the year ended 31 December 2019.

The Group had no right of use assets at the 31 December 2019.

The Group recognised rent expense of short-term leases of $9,000 and lease of low-value assets of $nil for the year end 31 December 2019.

19. Financial instruments

Fair values

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

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

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

19. Financial instruments (continued)

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

	Carrying value 2019 $000	Fair value 2019 $000	Carrying value 2018 $000	Fair value 2018 $000
Current financial assets				
Financial assets at amortised cost				
Trade and other receivables	18,245	18,245	19,508	19,508
Bank and cash balances	517	517	445	445
Total financial assets	18,762	18,762	19,953	19,953
Current financial liabilities				
Liabilities at amortised cost				
Trade and other payables	11,102	11,102	13,756	13,756
Total financial liabilities	11,102	11,102	13,756	13,756

20. Deferred tax

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as tax loss and tax credit carry forwards. Deferred tax assets are recognised to the extent it is probable that the temporary differences, unused tax losses and unused tax credits will be realised. The realisation of deferred tax assets is reviewed each reporting period and includes the consideration of historical operating results, projected future taxable income exclusive of reversing temporary differences and carry-forwards, the scheduled reversal of deferred tax liabilities and potential tax planning strategies.

	2019 $000	2018 $000
Balance at 1 January	(46)	(84)
Credit to statement of profit or loss	35	24
Credit to other comprehensive income	55	14
Balance at 31 December	44	(46)

20. Deferred tax (continued)

	Statement of financial position				Statement of profit or loss	
	Assets		Liabilities			
	2019	2018	2019	2018	2019	2018
	$000	$000	$000	$000	$000	$000
Property, plant and machinery	-	-	78	100	(22)	(26)
Pension asset	120	53	-	-	(12)	9
Other taxable temporary differences	-	-	-	-	-	-
Provisions	2	1	-	-	(1)	(7)
Net assets and liabilities	122	54	78	100		
Deferred tax credit					(35)	(24)

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.

Effect of changes of tax rate
The Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2019 continue to be measured at 17%, the amended tax rate would cause a $14,000 increase in the deferred tax liability and $9,000 increase in the deferred tax asset.

21. Employee benefit obligations

Defined benefits plan

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

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

The scheme assets and liabilities of the 2006 Pension Plan are initially valued in full in accordance with IAS19.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.

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

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

The last full actuarial valuation of the 2006 Pension Plan was carried out by a qualified independent actuary at 31 December 2018 and updated on an approximate basis to 31 December 2019.

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.

21. Employee benefit obligations (continued)

	2019 $000	2018 $000
Present value of funded obligations	(6,222)	(3,755)
Fair value of plan assets	5,515	3,445
Present value of unfunded obligations	(707)	(310)

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

	2019 $000	2018 $000
Service costs	6	6
Net interest from net defined benefit	9	7
Expenses	26	19
Gain from settlements	32	(80)
	73	(48)
Actual return on plan assets	2,307	(91)

All the costs were reflected in administrative expenses in the statement of profit or loss.

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

	2019 $000	2018 $000
Opening defined benefit obligation	3,755	4,309
Service cost	6	6
Net interest	97	100
Expenses	26	19
Benefits paid, death in service insurance premiums and expenses	(359)	(263)
Liabilities extinguished on settlements	32	(80)
Exchange rate movements	133	(242)
Remeasurement:		
Actuarial losses from changes in demographic assumptions	190	34
Actuarial losses/(gains) from changes in financial assumptions	465	(137)
Actuarial losses due to scheme experience	1,877	9
	6,222	3,755

21. Employee benefit obligations (continued)

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

	2019 $000	2018 $000
Opening fair value of scheme assets	3,445	4,025
Interest income	88	93
Benefits paid, death in service insurance premiums and expenses	(359)	(263)
Exchange rate movements	122	(226)
Remeasurements:		
Return on plan assets (excluding interest income)	2,219	(184)
	5,515	3,445

The amounts recognised in other comprehensive income are as follows:

	2019 $000	2018 $000
Actuarial losses from changes in demographic assumptions	(190)	(34)
Actuarial (losses)/gains from changes in financial assumptions	(465)	137
Actuarial losses due to scheme experience	(1,877)	(9)
Return on plan assets (excluding interest income)	2,219	(184)
Exchange rates	(11)	16
	(324)	(74)

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

	2019 $000	2018 $000
Diversified growth funds	3,530	2,058
Absolute return bonds	751	497
Liability driven investment	851	643
Multi asset credit fund	378	242
Cash	5	5
	5,515	3,445

21. Employee benefit obligations (continued)

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

	2019 $000	2018 $000
Rate used to discount liabilities	1.95%	2.40%

Allowance for commutation of pension for cash at retirement - 50% of Post A Day

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 60 years age, are as follows:

Males retiring in 2019	25.6
Females retiring in 2019	27.6
Males retiring in 2039	26.8
Females retiring in 2039	28.9

Analysis of the 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 13.4%
Rate of inflation	Increase 0.25% p.a.	Increase by 0.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.4%
Commutation	Members commute extra 10% of Post A Day pension on retirement	Decrease by 0.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

Contributions of $nil have been made by the employer over the period for the pension plans (2018: $nil). The best estimate of contributions to be paid to the plan for the year ended 31 December 2020 is $nil.

Defined contribution scheme

The total expense as of 31 December 2019, recognised in the statement of profit or loss $242,752 (2018: $223,207) represents contributions paid and payable to the plan.

22. Ultimate parent company

The immediate parent undertaking is AMG Superalloys UK Limited, a company registered in England and Wales, and is the smallest group in which the results of the Company are consolidated. Copies of the immediate parent undertaking's group financial statements may be obtained from AMG Superalloys UK Limited, Fullerton Road, Rotherham, S60 1DL.

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

23. Contingent liabilities

The Company 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.

The Company 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 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 2019, there was $337m outstanding in term loans and revolving credit facility (2018: $339m). 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 listed in note 22.

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

24. Capital commitments

At 31 December 2019, the capital commitments for the Company were $nil (2018: $nil).

25. Related party transactions

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

Transactions with entities within a group

According to IAS 24 all subsidiaries and associates within the AMG Advanced Metallurgical Group N.V. are related parties to the Company and transactions with those companies have to be disclosed in the Company's separate financial statements. The related party transactions concerning sales and purchases of goods for the year ended 31 December are summarised below:

		Sales		Debtors
	2019	2018	2019	2018
	$000	$000	$000	$000
Immediate parent company	15,457	16,499	15,483	13,332
Fellow subsidiaries of the larger group	4	242	943	6

		Purchases		Creditors
	2019	2018	2019	2018
	$000	$000	$000	$000
Immediate parent company	-	-	241	173
- Purchases	145	196	-	-
- Recharge raw material purchases	802	467	-	-
- Recharged services	647	647	-	-
- Recharge salary costs	3,218	2,960	-	-
Fellow subsidiaries of the larger group	391	1,253	2	2

The parent company, AMG Superalloys UK Limited and fellow subsidiary, AMG Aluminum UK Limited purchase raw materials on behalf of the Company. Accounting, information technology and purchasing services are recharged to the Company. The payroll is also operated by the parent company and the relevant salary costs are recharged through to the Company.

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.

25. Related party transactions (continued)

Key management personnel

The directors are considered to be the only key management personnel. Key management personnel compensation comprised the following.

	2019 $000	2018 $000
Short-term benefits	1,050	967
Post-employment benefits	64	54
Share-based payments	727	926
	1,841	1,947

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

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

Group cash pooling arrangement

	Net interest receivable / (paid) 2019 $000	Debtors/ (Creditors) 2019 $000	Net interest receivable / (paid) 2018 $000	Debtors/ (Creditors) 2018 $000
Ultimate parent company	47	(298)	(95)	2,869

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

26. Accounting estimates and judgements

Provision for bad debts
The Company 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 Company 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 2019 was $11,000 (2018: $nil).

Inventory provisions
The Company has a policy of making a provision against slow moving inventories. Any items over one year old are written down to the raw material cost of the product. Small development samples are written off in the year of production.

Management consider this the best estimate to minimise the impact to the Company of slow moving stocks. The Company has a policy of making provisions to value the inventory at the lower of cost and net realisable basis. 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 the net realisable value calculated from the lowest valued sales contracts and the relevant provision recorded. The total inventory provision recorded at 31 December 2019 was $98,000 (2018: $109,000).

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 21.

27. Capital management, financial risk management objectives and policies

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

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The main risks arising from the Company's financial instruments are: credit, liquidity, foreign currency, and commodity.

27. Capital management, financial risk management objective and policies (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The amounts presented on the statement of financial position are net of allowances for doubtful receivables estimated by the Company's management, based on prior experience and the current economic climate.

The Company trades only with creditworthy third parties. It is the Company'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 ongoing basis to ensure that the Company's exposure to impairment losses is not significant. Approximately a third of the Company's revenue is sold to its immediate parent company AMG Superalloys UK Limited. There are no other customers which account for more than 10% of the Company's revenue.

The Company's maximum exposure is the carrying amount as discussed in note 12.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

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

It is Company 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.

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

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

	Carrying amount	Contractual cash flows	<3 months	3-12 months	2020	2021	>2022
	$000	$000	$000	$000	$000	$000	$000
Trade and other payables	11,134	11,134	10,336	798	-	-	-

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	<3 months	3-12 months	2019	2020	>2021
	$000	$000	$000	$000	$000	$000	$000
Trade and other payables	13,788	13,788	13,788	-	-	-	-

Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments.

Short term receivables and payables are not exposed to interest rate risk. The Company does not have other financial assets and liabilities that are exposed to interest rate risk.

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

The Company's parent company has developed policies to effectively manage this exposure and minimise the risks of currency fluctuations on a group level. The parent company uses forward currency contracts to achieve this. The Company itself does not use these financial instruments on a company only level and thus is not exposed to currency price risks through financial instruments. As such there would be no effect on profit before tax if there were a change in the exchange rates of the primary currencies the Company uses.

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

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

28. New and amended standards and interpretations

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have an effect on the Company's financial statements.

IFRS 16 Leases
IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing it obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated and is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease
Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) Lessee arrangements
The Company leases a variety of assets which are primarily comprised of buildings, equipment, machinery and automobiles. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right of use assets and lease liabilities for most leases resulting in recognition of these amounts on the balance sheet.

Transition
Previously, the Company classified property leases as operating leases under IAS 17. These include leases for office space, facilities and equipment. Upon transition to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments for all leases that had previously been classified as operating leases under IAS 17. The future lease payments were discounted at the Company's incremental borrowing rate at 1 January 2019. Right of use assets were measured at an amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments as well as any previously recognised onerous lease provisions.

28. New and amended standards and interpretations (continued)

The Company used the following practical expedients when applying IFRS 16 to leases that had previously been classified as operating leases under IAS 17:

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months remaining on the lease term at the date of adoption.
- Excluded initial direct costs from measuring right of use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Relied on previous assessments for the determination of onerous leases and adjusted the carrying amount of the right of use asset at the date of initial application by the previous carrying amount of its onerous lease provision.

(iii) Impacts on financial statements
On transition to IFRS 16, the Company recognised additional right of use assets and lease liabilities. The right of use assets were offset by the value of accrued rent amounts that had been classified in other liabilities. The impact upon transition is $nil.

When measuring lease liabilities for leases that were previously classified as operating leases, the Company discounted lease payments using the implicit lease rate, if determinable, or its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 3.65%.

Operating lease commitments as at 31 December 2018	**14**
Weighted average rate percentage at 1 January 2019	3.65
Discounted operating lease commitments at 1 January 2019	13
Less:	
Commitments relating to short-term leases	13
Commitments relating to leases of low value assets	-
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	-
Additional lease liabilities recognised as at 1 January 2019	-
Commitments related to leases previously classified as finance leases	-
Total lease liabilities as at 1 January 2019	-

29. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

30. Events after the reporting date

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, further details of which can be found in the strategic report on page 6.