

Registration number: 00961050

AMG Alpoco UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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AMG Alpoco UK Limited

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AMG Alpoco UK Limited

Company Information

Directors	K Lawson L M Scaife P J Siner
Company secretary	E Webster
Registered office	C/O AMG Chrome Limited Fullerton Road Rotherham South Yorkshire S60 1DL
Auditors	KPMG LLP Chartered Accountants 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Solicitors	DLA Piper UK LLP 1 St Paul's Place Sheffield S1 2JX

AMG Alpoeco UK Limited

Strategic Report for the Year Ended 31 December 2021

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

Fair review of the business

The Company Statement of Profit or Loss for the year is set out on page 10. Capital expenditure was \$968,000 (2020: \$1,655,000).

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

	2021	2020
	\$000	\$000
Revenue	34,101	29,367
Loss before tax	(481)	(99)
Total equity	7,222	7,131
EBITDA	131	1,171
Return on capital employed	(4.8)%	25.9%

EBITDA is calculated in accordance with the ultimate parent company's guidelines on reporting actual performance. This is calculated as the operating loss add back depreciation and amortisation and excludes management services fees \$nil (2020: \$nil) and exceptional items \$20,000 (2020: \$670,000). 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.

AMG Alpoeco UK Limited has seen a slow market recovery following COVID-19, with key product lines remaining much lower than pre pandemic performance and a reduction in sales volumes across the year (6% reduced vs. 2020). Overall EBITDA for the year decreased by \$1m vs. 2020.

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

Return on capital employed decreased to (4.8)% as a result of the decrease in profitability.

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.

AMG AlpoCo UK Limited

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

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 Chrome 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.

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 2020, the company has taken a number of measures to secure the health, safety and the wellbeing of employees and the company will continue to monitor the COVID 19 situation closely and 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.

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


.....
K Lawson
Director

AMG Alpoeco UK Limited

Directors' Report for the Year Ended 31 December 2021

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

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 2021 was \$Nil (2020: \$4,000,000). The dividend paid in 2020 was paid from the pre-2020 profits which were not needed by the company for reinvestment.

Directors' of the company

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

K Lawson

L M Scaife

P-J Siner (appointed 9 November 2021)

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.

Disclosure of information to the auditor

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

Reappointment of auditors

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

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


.....
K Lawson
Director

AMG Alpoco UK Limited

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the 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.

AMG Alpoeco UK Limited

Independent Auditor's Report to the Members of AMG Alpoeco UK Limited

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

AMG Alpoeco UK Limited

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

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

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

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

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

AMG Alpoeco UK Limited

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

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

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

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

Strategic report and directors' report

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in their statement, set out on page 5, 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.

AMG Alpoco UK Limited

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

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

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

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

Claire Gallimore

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

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 September 2022

AMG AlpoCo UK Limited

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

	Note	2021 \$ 000	2020 \$ 000
Revenue	3	34,101	29,367
Cost of sales		<u>(33,492)</u>	<u>(27,755)</u>
Gross profit		609	1,612
Other operating income		16	32
Administrative expenses		(881)	(977)
Exceptional items	7	<u>(20)</u>	<u>(670)</u>
Operating loss	6	(276)	(3)
Finance income	8	28	41
Finance expense	8	<u>(233)</u>	<u>(137)</u>
Loss before tax		(481)	(99)
Taxation	9	<u>74</u>	<u>9</u>
Loss for the year		<u>(407)</u>	<u>(90)</u>

The above results were derived from continuing operations.

AMG Alpoco UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 \$ 000	2020 \$ 000
Loss for the year		<u>(407)</u>	<u>(90)</u>
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit pension schemes	20	621	172
Tax relating to items that will not be reclassified	9	<u>(123)</u>	<u>(19)</u>
		<u>498</u>	<u>153</u>
Total comprehensive income for the year		<u>91</u>	<u>63</u>

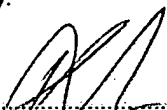
AMG Alpoeco UK Limited

(Registration number: 00961050)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 \$ 000	31 December 2020 \$ 000
Assets			
Non-current assets			
Property, plant and equipment	11	4,455	3,977
Intangible assets	10	12	13
Deferred tax assets	9	21	179
		<u>4,488</u>	<u>4,169</u>
Current assets			
Inventories	12	2,473	3,028
Trade and other receivables	13	15,658	11,686
Tax receivable		157	-
Cash and cash equivalents	14	781	327
		<u>19,069</u>	<u>15,041</u>
Total assets		<u><u>23,557</u></u>	<u><u>19,210</u></u>
Equity and liabilities			
Equity			
Share capital	15	837	837
Accumulated other comprehensive income		124	(374)
Retained earnings		6,261	6,668
Total equity		<u>7,222</u>	<u>7,131</u>
Non-current liabilities			
Pension liability	20	-	578
Deferred tax liabilities	9	191	57
		<u>191</u>	<u>635</u>
Current liabilities			
Trade and other payables	17	16,144	11,228
Corporation tax		-	216
		<u>16,144</u>	<u>11,444</u>
Total liabilities		<u>16,335</u>	<u>12,079</u>
Total equity and liabilities		<u><u>23,557</u></u>	<u><u>19,210</u></u>

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



 K Lawson
 Director

The notes on pages 15 to 46 form an integral part of these financial statements.

AMG Alpoco UK Limited

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

	Share capital \$ 000	Accumulated other comprehensive income \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2021	837	(374)	6,668	7,131
Loss for the year	-	-	(407)	(407)
Other comprehensive income	-	498	-	498
Total comprehensive income	-	498	(407)	91
At 31 December 2021	837	124	6,261	7,222

	Share capital \$ 000	Accumulated other comprehensive income \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2020	837	(527)	10,758	11,068
Loss for the year	-	-	(90)	(90)
Other comprehensive income	-	153	-	153
Total comprehensive income	-	153	(90)	63
Dividends	-	-	(4,000)	(4,000)
At 31 December 2020	837	(374)	6,668	7,131

AMG Alpoco UK Limited

Statement of Cash Flows for the Year Ended 31 December 2021

	Note	2021 \$ 000	2020 \$ 000
Cash flows from operating activities			
Loss for the year		(407)	(90)
Adjustments to cash flows from non-cash items			
Depreciation of property, plant and equipment	6	386	502
Amortisation of intangible fixed assets	6	1	2
Finance income	8	(28)	(41)
Finance costs	8	233	137
Taxation	9	(74)	(9)
		<u>111</u>	<u>501</u>
Working capital adjustments			
Decrease/(increase) in inventories	12	555	(1,682)
(Increase)/decrease in trade and other receivables	13	(2,485)	15,313
Increase in trade and other payables	17	5,014	380
Increase in provisions and employee benefits		50	57
Decrease in deferred income		(16)	(32)
		<u>3,229</u>	<u>14,537</u>
Cash generated from operations		3,229	14,537
Income taxes paid		(130)	(83)
Interest paid		(14)	(42)
		<u>3,085</u>	<u>14,412</u>
Net cash flow from operating activities		3,085	14,412
Cash flows from investing activities			
Acquisitions of property plant and equipment		(968)	(1,655)
Cash flows from financing activities			
Net interest on cash pooling	8	(176)	(40)
Cash pooling arrangements		(1,487)	(8,907)
Dividends paid		-	(4,000)
		<u>(1,663)</u>	<u>(12,947)</u>
Net cash flows from financing activities		(1,663)	(12,947)
Net increase/(decrease) in cash and cash equivalents		454	(190)
Cash and cash equivalents at 1 January		327	517
Cash and cash equivalents at 31 December		<u>781</u>	<u>327</u>

The notes on pages 15 to 46 form an integral part of these financial statements.

AMG Alpoeco UK Limited

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

1 Accounting policies

Basis of preparation

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

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 14) as well as the cash pooling facilities (refer note 24). The cash flow forecasts indicate that, even with taking account of a severe but plausible downside scenario on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due.

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

- Significant reduction in revenue due to reduced volume requirements / reduced demand;
- Raw material price increases being absorbed and not passed on to customers for a 3 month period;
- The supplier finance facility revoked with no alternative replacement;
- The invoice discounting facility per note 13 being revoked with no alternative replacement;
- Supplier terms being reduced by 2 months, resulting in more rapid cash outflows;
- Delayed payments from high profile customers, resulting in delayed collections;
- 1 month of no production with gradual or no catch up possible, and the resulting impact on revenue;
- Energy cost increase.

Although highly unlikely that all of these scenarios would occur simultaneously, in the severe downside scenario, taking the impact of all of these scenarios together on the cashflow, 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.

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.

AMG Alpoco UK Limited

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

1 Accounting policies (continued)

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.

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.

Deferred taxation

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

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

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

AMG Alpoco UK Limited

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

1 Accounting policies (continued)

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.

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.

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.

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.

AMG Alpoco UK Limited

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

1 Accounting policies (continued)

Depreciation

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

Asset class	Depreciation method and rate
Freehold property	4% straight line
Plant, machinery and fittings	10% straight line
Fixtures and fittings	10% straight line

Leasing

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.

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.

Non-derivative financial instruments

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

- those to be measured at amortised cost.
- 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

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 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.

AMG Alpoco UK Limited

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

1 Accounting policies (continued)

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.

Derivative financial instruments

The Company does not have any derivative financial instruments as at 31 December 2021 (2020: none).

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.

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 2021 was USD \$1 = £0.740.

Defined contribution pension obligation

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.

AMG Alpoeco UK Limited

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

1 Accounting policies (continued)

Defined benefit pension obligation

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.

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 the detailed note 2.

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.

AMG Alpoeco UK Limited

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

1 Accounting policies (continued)

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.

Financial liabilities

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

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.

AMG Alpoeco UK Limited

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

1 Accounting policies (continued)

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 its 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 Critical accounting judgements and key sources of estimation uncertainty

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position. The accounting estimates and judgements believed to require the most subjectivity or complexity are as follows:

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 2021 was \$134,000 (2020: \$184,000).

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.

AMG Alpoeco UK Limited

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

3 Revenue

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the Chief Operating Decision Maker ("CODM"). The Company's CODM is deemed to be the 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.

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

The Company reports on one reportable segment.

All of the company's revenue was generated from continuing operations:

Analysis of revenue by country of destination:

	2021	2020
	\$ 000	\$ 000
United Kingdom	18,443	14,010
Europe	11,366	10,752
Rest of world	4,292	4,605
	<u>34,101</u>	<u>29,367</u>

4 Staff costs

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

	2021	2020
	\$ 000	\$ 000
Wages and salaries	2,321	2,457
Social security costs	218	236
Defined contribution pension cost	206	227
Defined benefit scheme cost	36	29
	<u>2,781</u>	<u>2,949</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Production	46	54
Sales	1	2
	<u>47</u>	<u>56</u>

AMG Alpoco UK Limited

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

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 \$ 000	2020 \$ 000
Aggregate emoluments	585	738
Company contributions paid to money purchase schemes	70	62
Share-based payments	216	51
	<u>871</u>	<u>851</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>2</u>

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

In respect of the highest paid director:

	2021 \$ 000	2020 \$ 000
Aggregate emoluments	530	529
Company contributions to money purchase pension schemes	<u>45</u>	<u>41</u>

AMG Alpoeco UK Limited

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

6 Operating loss

Arrived at after charging/(crediting)

	2021	2020
	\$ 000	\$ 000
Government grants receivable:	(16)	(32)
Cost of inventories recognised as expense	14,783	19,618
Depreciation - owned assets	386	502
Amortisation	1	2
Auditor's remuneration - audit of these financial statements	42	26

7 Exceptional items

The analysis of the company's other gains and losses for the year is as follows:

	2021	2020
	\$ 000	\$ 000
Site closure	20	520
Restructuring	-	150

Site Closure

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

All planned redundancies took place in April 2021 following site closure. A further \$20,000 provision was made for ongoing dilapidation work. The site was vacated on 31 May 2022.

Restructuring

During 2020, in response to the COVID 19 pandemic the company underwent a restructuring exercise resulting in a redundancy cost of \$150,000.

AMG AlpoCo UK Limited

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

8: Finance income and costs

	2021	2020
	\$ 000	\$ 000
Finance income		
Interest receivable from cash pooling arrangements	28	41
Finance costs		
Bank interest payable	14	42
Interest payable to cash pooling arrangements	212	81
Net pension interest payable	<u>7</u>	<u>14</u>
Total finance costs	<u>233</u>	<u>137</u>
Net finance costs recognised in profit or loss	<u>(205)</u>	<u>(96)</u>

9 Income tax

Tax (credited)/charged in profit or loss

	2021	2020
	\$ 000	\$ 000
Current taxation		
Current tax on profits/(losses) for the year	(236)	87
Adjustments in respect of prior years	<u>(7)</u>	<u>1</u>
	<u>(243)</u>	<u>88</u>
Deferred taxation		
Origination and reversal of timing differences	166	(106)
Adjustments in respect of prior years	<u>3</u>	<u>9</u>
Total deferred taxation	<u>169</u>	<u>(97)</u>
Tax receipt in profit or loss	<u>(74)</u>	<u>(9)</u>

AMG AlpoCo UK Limited

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

9 Income tax (continued)

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

The differences are reconciled below:

	2021 \$ 000	2020 \$ 000
Loss before tax	<u>(481)</u>	<u>(99)</u>
Corporation tax at standard rate	(91)	(19)
Adjustment to tax charge in respect of prior periods	4	1
Increase from effect of expenses not deductible in determining taxable profit	3	-
Decrease from effects of super-deduction allowance	(22)	-
Short term timing differences leading to an increase in taxation	<u>32</u>	<u>9</u>
Total tax credit	<u>(74)</u>	<u>(9)</u>

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

Income tax recognised in other comprehensive income

	2021 \$ 000	2020 \$ 000
Remeasurement of defined benefit obligation	<u>(123)</u>	<u>(19)</u>

AMG AlpoCo UK Limited

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

9. Income tax (continued)

Deferred tax balances

The following is the analysis of deferred tax (assets)/liabilities presented in the statement of financial position:

	At 1 January 2021 \$ 000	Recognised in profit and loss \$ 000	Recognised in other comprehensive income \$ 000	At 31 December 2021 \$ 000
Revaluation of property, plant and equipment	57	134	-	191
Provisions	(70)	49	-	(21)
Pension benefit obligations	(109)	(14)	123	-
Net tax (assets)/liabilities	(122)	169	123	170

Deferred tax movement during the prior year:

	At 1 January 2020 \$ 000	Recognised in profit and loss \$ 000	Recognised in other comprehensive income \$ 000	At 31 December 2020 \$ 000
Revaluation of property, plant and equipment	78	(21)	-	57
Provisions	(2)	(68)	-	(70)
Pension benefit obligations	(120)	(8)	19	(109)
Net tax (assets)/liabilities	(44)	(97)	19	(122)

AMG AlpoCo UK Limited

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

10 Intangible assets

	REACH \$ 000
Cost or valuation	
At 1 January 2020	19
At 31 December 2020	<u>19</u>
At 31 December 2021	<u>19</u>
Amortisation	
At 1 January 2020	4
Amortisation charge	<u>2</u>
At 31 December 2020	6
Amortisation charge	<u>1</u>
At 31 December 2021	<u>7</u>
Carrying amount	
At 31 December 2021	<u>12</u>
At 31 December 2020	<u>13</u>
At 1 January 2020	<u>15</u>

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

AMG Alpoeco UK Limited

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

11 Property, plant and equipment

	Freehold property \$ 000	Plant and machinery \$ 000	Fixtures and fittings \$ 000	Total \$ 000
Cost or valuation				
At 1 January 2020	3,684	15,232	314	19,230
Additions	<u>657</u>	<u>998</u>	<u>-</u>	<u>1,655</u>
At 31 December 2020	4,341	16,230	314	20,885
Additions	425	543	-	968
Disposals	<u>-</u>	<u>(1,359)</u>	<u>(8)</u>	<u>(1,367)</u>
At 31 December 2021	<u>4,766</u>	<u>15,414</u>	<u>306</u>	<u>20,486</u>
Depreciation				
At 1 January 2020	2,858	13,239	309	16,406
Charge for year	<u>39</u>	<u>461</u>	<u>2</u>	<u>502</u>
At 31 December 2020	2,897	13,700	311	16,908
Charge for the year	43	343	-	386
Eliminated on disposal	<u>-</u>	<u>(1,258)</u>	<u>(5)</u>	<u>(1,263)</u>
At 31 December 2021	<u>2,940</u>	<u>12,785</u>	<u>306</u>	<u>16,031</u>
Carrying amount				
At 31 December 2021	<u>1,826</u>	<u>2,629</u>	<u>-</u>	<u>4,455</u>
At 31 December 2020	<u>1,444</u>	<u>2,530</u>	<u>3</u>	<u>3,977</u>
At 1 January 2020	<u>826</u>	<u>1,993</u>	<u>5</u>	<u>2,824</u>

The Company did not have any borrowing costs to capitalise during the year ended 31 December 2021 (2020: \$nil).

Securities

At 31 December 2021, the Company's land and buildings and plant and machinery are 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 22.

AMG Alpoco UK Limited

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

12 Inventories

	31 December 2021 \$ 000	31 December 2020 \$ 000
Raw materials	855	66
Finished goods and goods for resale	1,618	2,962
	2,473	3,028

The write down of inventories to net realisable value amounted to \$100,000 (2020: \$35,000) and the provision charged for slow moving inventories amounted to \$34,000 (2020: \$149,000).

Securities

At 31 December 2021, the Company's inventories are 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 22.

13 Trade and other receivables

	31 December 2021 \$ 000	31 December 2020 \$ 000
Trade receivables	2,092	854
Amounts due from group undertakings	3,124	2,045
Cash pooling	10,096	8,609
Prepayments	312	91
Other receivables	34	87
	15,658	11,686

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.

Age of trade receivables that are past due but not impaired

	31 December 2021 \$ 000	31 December 2020 \$ 000
Current - not yet due	2,007	719
0 to 30 days	85	102
31 to 60 days	-	8
61 to 90 days	-	32
	2,092	861

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

AMG Alpoco UK Limited

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

13 Trade and other receivables (continued)

Age of impaired trade receivables

	31 December 2021 \$ 000	31 December 2020 \$ 000
0 to 30 days	-	3
61 to 90 days	-	4
	-	7
	-	7

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

	2021 \$ 000	2020 \$ 000
At 1 January	7	11
Charge for the year	-	7
Amounts recovered	(7)	(11)
	-	7
	-	7

Factoring of receivables

As of 31 December 2021, the Company had total receivables factored and outstanding of \$1,668,000 (2020: \$1,610,000). The Company sold receivables of \$7,032,000 (2020: \$15,519,000) throughout the year and incurred cost of \$31,000 (2020: \$63,000) in conjunction with the sales of these receivables of which \$14,000 (2020: \$30,000) were included in finance costs and \$17,000 (2020: \$33,000) 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 2021, the Company's trade and other receivables are 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 22.

14 Cash and cash equivalents

	31 December 2021 \$ 000	31 December 2020 \$ 000
Cash at bank	781	327
	781	327
	781	327

At 31 December 2021, the Company did not have borrowing facilities (2020: \$nil). Funding, if required, is provided by the Company's parent company, AMG Chrome Limited.

Securities

At 31 December 2021, 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 22.

AMG Alpoco UK Limited

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

15 Share capital

Authorised, issued and fully paid

	31 December 2021		31 December 2020	
	No.	\$000	No.	\$000
Ordinary shares of £1.00 each	<u>436,037</u>	<u>837</u>	<u>436,037</u>	<u>837</u>

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

16 Reserves

Accumulated other comprehensive income

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

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Accumulated other comprehensive income \$ 000
Actuarial gains on defined benefit schemes	621
Tax effect of amounts in other comprehensive income	<u>(124)</u>
	<u>497</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Accumulated other comprehensive income \$ 000
Actuarial gains on defined benefit schemes	172
Tax effect of amounts in other comprehensive income	<u>(19)</u>
	<u>153</u>

AMG Alpoeco UK Limited

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

17 Trade and other payables.

	31 December 2021 \$ 000	31 December 2020 \$ 000
Trade payables	15,497	10,590
Deferred government grants	-	16
Amounts due to group undertakings	281	16
Other creditors	366	606
	<u>16,144</u>	<u>11,228</u>

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 135 day terms.

For related party transactions refer to note 24.

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 totalling \$16,000 (2020: \$32,000) were credited to the income statement during the year.

18 Leases

The Company has entered into no long term leases in the year ended 31 December 2021. The Company had no right of use assets at the 31 December 2021.

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

Payment	2021 \$ 000	2020 \$ 000
Short-term leases	-	<u>22</u>

AMG AlpoCo UK Limited

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

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.

	Carrying value 2021	Fair value 2021	Carrying value 2020	Fair value 2020
	\$000	\$000	\$000	\$000
Current financial assets				
Financial asset at amortised cost				
Trade and other receivables	13,305	13,305	11,595	11,595
Bank and cash balances	781	781	327	327
Total financial assets	14,086	14,086	11,922	11,922
Current financial liabilities				
Liabilities at amortised cost				
Trade and other payables	16,141	16,141	11,212	11,212
Total financial liabilities	16,141	16,141	11,212	11,212

AMG Alpoco UK Limited

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

20 Employee benefit obligations

Defined benefit pension schemes

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

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

The scheme assets and liabilities of the 2006 Pension Plan are initially valued in full in accordance with IAS19. In prior years, the assets and liabilities have then been split between AMG Chrome Limited and AMG Alpoco UK Limited based on the liability of each member, as calculated at the last full actuarial valuation. With this approach, AMG Alpoco UK Limited has been recognising c.6% of the total net liability of the Plan on its balance sheet and AMG Chrome Limited c.94%, with 100% of the total net liability on the consolidated balance sheet. In 2021, this has been changed to reflect the scheme only within AMG Chrome Limited, as the principal employer of the Plan (100% total net liability within AMG Chrome Limited and consolidated balance sheet).

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

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

AMG Alpoeco UK Limited

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

20. Employee benefit obligations (continued)

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

IAS 19 requires that the discount rate used be determined by reference to market yields at the reporting date on high quality corporate bonds. The currency and term of these should be consistent with the currency and estimated term of the pension obligations. The discount rate has been assessed by reference to the duration of the pension plan liabilities and by reference to the Bank of America Merrill Lynch Sterling Corporate & Collateralized AA rated index. 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 2020.

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

	2021	2020
	\$ 000	\$ 000
Present value of funded obligations	-	(6,781)
Fair value of plan assets	-	6,203
Present value of unfunded obligations	-	(578)

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

	2021	2020
	\$ 000	\$ 000
Net interest from net defined benefit	7	14
Expenses	-	29
	7	43

AMG Alpoco UK Limited

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

20 Employee benefit obligations (continued)

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:

	2021	2020
	\$ 000	\$ 000
Opening defined benefit obligation	6,781	6,222
Net interest	78	115
Benefits paid, death in service insurance premiums and expenses	(287)	(297)
Exchange rate movements	(78)	206
Actuarial (gains)/losses from changes in demographic assumptions	(46)	(1)
Actuarial (gains)/losses from changes in financial assumptions	(370)	536
Recognition of liabilities from change in accounting policy	(6,078)	-
	<u>-</u>	<u>6,781</u>

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

	2021	2020
	\$ 000	\$ 000
Opening fair value of scheme assets	6,203	5,515
Interest income	71	101
Benefits paid, death in service insurance premiums and expenses	(287)	(326)
Expenses	(40)	-
Exchange rate movements	(74)	179
Return on plan assets (excluding interest income)	201	734
Recognition of liabilities from change in accounting policy	(6,074)	-
	<u>-</u>	<u>6,203</u>

AMG Alpoco UK Limited

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

20 Employee benefit obligations (continued)

The amounts recognised in other comprehensive income are as follows:

	2021	2020
	\$ 000	\$ 000
Actuarial gains/(losses) from changes in demographic assumptions	46	1
Actuarial gains/(losses) from changes in financial assumptions	370	(536)
Return on plan assets (excluding interest income)	201	734
Exchange rates	4	(27)
	<u>621</u>	<u>172</u>

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

	2021	2020
	\$ 000	\$ 000
Diversified growth funds	-	3,888
Absolute return bonds	-	381
Liability driven investment	-	1,508
Multi asset credit fund	-	415
Cash	-	11
	<u>-</u>	<u>6,203</u>

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

	2021	2020
Rate used to discount liabilities %	-	1.25

Allowance for commutation of pension for cash at retirement - 70% 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 65 years of age, are as follows:

Males retiring in 2021	22.0
Females retiring in 2021	24.2
Males retiring in 2041	21.0
Females retiring in 2041	23.0

Contributions of \$nil have been made by the employer over the period for the pension plans (2020: \$nil). The best estimate of contributions to be paid to the plan for the year ended 31 December 2021 is \$nil.

AMG Alpoco UK Limited

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

20 Employee benefit obligations (continued)

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to \$206,000 (2020 - \$226,850).

21 Parent and ultimate parent undertaking

The immediate parent undertaking is AMG Chrome 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 Chrome 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.

22 Contingent liabilities

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

The 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 its assets to participate in those group banking facilities. As of 30 November 2021, the AMG Advanced Metallurgical Group N.V. entered into a new \$350m seven-year senior secured term loan B facility and a \$200m five-year senior secured revolving credit facility.

The total facility amount of \$550m replaced AMG's existing credit facility and extended the term loan maturity from 2025 to 2028 and revolver maturity from 2023 to 2026. Proceeds from the facility were used to repay AMG's previous credit facility.

At 31 December 2021, the total outstanding principal on the term loans was \$350m (2020: \$340m) and available revolver capacity was \$170m (2020: \$170m).

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

23 Commitments

Capital commitments

At 31 December 2021, the capital commitments for the Company were \$54,000 (2020 - \$897,000).

AMG Alpoco UK Limited

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

24 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.

According to IAS 24 all fellow 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:

	Immediate parent company \$ 000	Fellow subsidiary of the larger group \$ 000
2021		
Sale of goods	14,768	14
Amounts receivable from related party	660	-
	Immediate parent company \$ 000	Fellow subsidiary of the larger group \$ 000
2020		
Sale of goods	10,834	-
Amounts receivable from related party	1,261	784

AMG AlpoCo UK Limited

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

24 Related party transactions (continued)

Expenditure with and payables to related parties

	Immediate parent company \$ 000	Fellow subsidiary of the larger group \$ 000
2021		
Purchases	100	-
Recharge of raw material purchases	25	-
Recharge of metal hedges	(785)	-
Recharge of services	660	-
Recharged salary costs	2,757	-
Amounts payable to related party	-	205
	Immediate parent company \$ 000	Fellow subsidiary of the larger group \$ 000
2020		
Purchases	51	1,061
Recharge raw material purchases	353	-
Recharge of services	649	-
Recharge salary costs	2,924	-
Amounts payable to related party	16	-

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.

Key management personnel

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

	31 December 2021 \$ 000	31 December 2020 \$ 000
Salaries and other short term employee benefits	585	738
Post-employment benefits	70	62
Share-based payments	216	51
	<u>871</u>	<u>851</u>

AMG Alpoco UK Limited

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

24 Related party transactions (continued)

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

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

Group cash pooling arrangement

	Net interest receivable / (paid) 2021 \$000	Debtors / (creditors) 2021 \$000	Net interest receivable / (paid) 2020 \$000	Debtors / (creditors) 2020 \$000
Fellow subsidiary of the larger group	<u>(184)</u>	<u>10,096</u>	<u>40</u>	<u>8,609</u>

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

25 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.

AMG Alpoco UK Limited

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

25 Capital management, financial risk management objectives 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 Chrome 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 13.

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.

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

	Carrying amount	Contractual cash flows	<3 months	3-12 months	2023	2024	>2025
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other payables	16,141	16,141	13,169	2,972	-	-	-

AMG Alpoco UK Limited

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

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

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

	Carrying amount \$000	Contractual cash flows \$000	<3 months \$000	3-12 months \$000	2022 \$000	2023 \$000	>2024 \$000
Trade and other payables	11,228	11,228	10,119	1,109	-	-	-

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.

AMG Alpoco UK Limited

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

26 Standards issued but not yet effective

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

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