

Chief Executive's Review

The AMC Group entered 2009 with the global recession intensifying and it was clear that the year would be challenging. With few exceptions, the Group's operations have experienced sharply reduced demand and falling prices, generally accompanied by squeezed profit margins as competition intensified. The impact was most acute in the Group's steel service centres in Canada, where the unprecedented speed and scale of the price falls had a serious effect on businesses which have commitments in stock and in the pipeline bought at fixed prices to cover expected sales extending over several months. In these exceptional circumstances, selling prices fell persistently throughout the year with little respite and, with volumes greatly reduced as a result of the recession, losses were incurred. Prices stabilised in the last quarter and some modest strengthening has been seen in early 2010. Despite this major setback, the resilient performance of the other units meant that Canada as a whole managed to report a profit as did the Industrial Division.

The AMC Trading Division's profit included solid and profitable performances from each of its UK-centred operations, while the Canadian businesses combined showed a small profit. It is worth noting that throughout the period the London Metal Exchange continued to operate without the turmoil evident in financial markets generally. Further comments on the performance of each Group business are set out on pages 6, 8 and 10 of this report.

During the year Thaisarco suspended its purchases of Tin concentrates which originated in the Democratic Republic of Congo ("DRC"). Thaisarco had taken a leading role with ITRI to design and implement a formalised due diligence system to ensure that the minerals in its supply chain did not inadvertently benefit any of the rebel parties in the DRC and the first phase was duly implemented in July 2009. However, a lack of international stakeholder support for the ITRI due diligence scheme, combined with a lack of clarity or guidance for industry on the standards of due diligence required, made it impossible for an AMC Group company to continue purchasing from the DRC. Notwithstanding this suspension, Thaisarco remains active in promoting and developing the ITRI due diligence system, which has now received the formal support of the DRC Government and financial support both from the downstream electronics industry and the Tantalum industry association. The scheme will be implemented in conjunction with internationally supervised buying centres for minerals, to be constructed by the DRC Government together with the United Nations, and financed, amongst others, by the UK Government.

The absence of support for a constructive solution with regard to due diligence increases the risk of a de facto ban emerging, which would have dire consequences for the DRC and its people. Accordingly, it is hoped that the international stakeholders will recognise the tangible progress that has been achieved through the ITRI process. Their active support is now needed in order to ensure the success of the due diligence process, enabling Thaisarco and other international participants in the supply chain to lift their suspension of purchases. This in turn will restore competitive, transparent access to international markets for the DRC, securing consequent benefits for the large number of artisanal miners who depend on mining for their livelihood.

The Group's operating profit was augmented by net interest income and exceptional gains, so that a pre-tax profit of £27.5 million was achieved.

A reduction in working capital, of which a decrease at the Canadian steel service centres, as their activities scaled down both in price and volume, was a major contributory factor, combined with the Group's operating profit gave an operating cash inflow of £17.2 million. With significant receipts from exceptional items and interest, there was a strong cash inflow before distributions. Net funds at 31 December 2009 were close to the previous year end level, and the Group remains financially strong.

Going into the new year, there is no clear consensus as to when the steady economic growth experienced in earlier years will resume. Although it does appear that most economies are passing the bottom of the recession, risks of a "double dip" remain. Weak and patchy recovery in 2010 would seem to be a realistic scenario, so it will be another tough year, but I can be confident it will again be a successful one. This confidence derives from the hard work and resourcefulness of all the Group's staff, and I thank them for their continuing efforts.

V H Sher

Chief Executive

26 March 2010