Chamberlin & Hill Castings Limited

Report and Financial Statements

for the year ended

31 May 2023

Company number: 00282360

Chamberlin & Hill Castings Limited

Annual report and financial statements
for the year ended 31 May 2023

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Directors

K Price
A Tomlinson

Registered office

Chuckery Road, Walsall, West Midlands, WS1 2DU

Company Secretary

A Tomlinson

Company number

00282360

Auditor

MHA, Rutland House, 148 Edmund Street, Birmingham, B3 2FD

Bankers

HSBC Bank plc, 120 Edmund Street, Birmingham, B3 2QZ

Chamberlin & Hill Castings Limited

Strategic report
for the year ended 31 May 2023

Principal activity and business review

The principal activities of the company are the manufacture and sale of small, grey iron castings and CNC machining of precision components.

The financial performance of the Company has continued to show significant improvement on the prior year, with revenue 22% higher at £6.9m (2022: £5.6m). The operating profit of £0.7m (2022: £0.8m loss) improved due to the benefit of new programs secured at the foundry and more importantly, new orders for the machining facility which had been significantly under-utilised for around 18 months from the end of the 2021 financial period. The improved outlook at the machining facility has enabled the company to reverse £1.4m of the impairment charge originally taken in 2021 into exceptional operating items. The Company has been successful in its strategy of diversification away from the automotive sector having secured a number of new programs and orders that will utilise some of the excess capacity at the foundry and machining facility. In addition, the Company is in the process of developing its capability to deliver products in ductile iron for the first time. This is in response to a substantial increase in enquiries from new and existing customers for products made from this type of iron, which will open up access to a vastly greater market where demand is extremely buoyant and foundry capacity is limited.

Key performance indicators

The Key Performance Indicators ("KPIs") used to monitor business performance were as follows:

	2023	2022
KPI:		
Return on sales (reported)	**4.6%**	(17.4)%
Return on sales (underlying)	**(17.2)%**	(29.2)%
Return on net assets (reported)	**17.1%**	(131.2)%
Return on net assets (underlying)	**(63.8)%**	(219.6)%
Sales per employee	**£96,657**	£58,605

The directors are satisfied that the KPIs reflect the results of the Company during the year.

Reported return on sales is calculated from profit on ordinary activities before tax divided by turnover for the year. Underlying return on sales is calculated from profit on ordinary activities before tax, exceptional items and foreign currency gain/(loss) divided by turnover for the year.

Reported return on net assets is calculated from profit on ordinary activities before tax divided by net assets excluding cash and debt, corporation tax, deferred tax and inter-company non-trading balances, at the year end. Underlying return on net assets is calculated from profit on ordinary activities before tax excluding exceptional items and foreign currency gain divided by net assets, excluding cash and debt, corporation tax, deferred tax and inter-company non-trading balances, at the year end.

Sales per employee is calculated from the sales for the period divided by the average number of employees for the year.

Principal risks and uncertainties
The significant risks and uncertainties are set out below.

Commodity prices
The price of many raw materials is dependent upon movements in commodity prices, especially iron. In order to reduce its exposure to movements in raw material prices the company negotiates, where appropriate, price surcharge arrangements into its customer contracts.

Foreign currency exposure
With around 55% of revenue denominated in Euros, currency fluctuations, such as those related to Brexit, could have a material impact on financial performance. In order to reduce the company's exposure to currency fluctuations, the company sells up to 70% of its expected Euro revenues on forward currency contracts of 10 months or less.

Credit risk
The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

Environmental risks
In common with other industrial businesses the company is subject to risks associated with the environment. The company manages these risks by continual review of its processes to identify opportunities for improvement, whilst ensuring that the conditions of its site operating licences are met or exceeded at all times.

On behalf of the board

A Tomlinson
Director
29 February 2024

Chamberlin & Hill Castings Limited

Report of the Directors
for the year ended 31 May 2023

The Directors present their report together with the audited financial statements for the year ended 31 May 2023.

Results and dividends

The loss for the year after taxation amounted to £95,628 (2022 - £798,179). The directors do not recommend the payment of a dividend (2022 - £nil).

Research and Development

Research and development activities consist primarily of devising methods for achieving the casting of complex shaped and/or multi-cored products. Internal resource relating to research activities has been incurred but not capitalised in the current period.

Directors

The directors who served the company during the year and since the year end were as follows:

K Price
A Tomlinson

The company is a wholly owned subsidiary of Chamberlin plc and the interests of the group directors are disclosed in the financial statements of the parent company.

K Price and A Tomlinson were both directors of the parent company during the year.

No director had any interest in any contract with the company during the year except for service agreements.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Going concern

After making enquiries, the Directors have an expectation that, in the circumstances of a reasonably foreseeable downside scenario as disclosed in note 2 on page 12, the Chamberlin Group and the company have adequate resources to continue in operational existence for the foreseeable future.

The Directors therefore continue to adopt the going concern basis.

Financial instruments

A proportion of forecast foreign currency exposures are hedged depending on the level of confidence and hedging is topped up following regular reviews. On this basis up to 70% of the company's annual exposures are likely to be hedged at any point in time and the company's net transactional exposure to different currencies varies from time to time.

Matters covered in the Strategic Report

Key performance indicators and principal risks and uncertainties have been included in the Strategic Report.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Crowe U.K. LLP resigned as auditor during the year and MHA was appointed in its place. A resolution will be proposed to reappoint MHA as auditor and to authorise the Directors to determine their remuneration at the forthcoming Annual General Meeting.

On behalf of the board

A Tomlinson
Director
29 February 2024

Opinion

We have audited the financial statements of Chamberlin & Hill Castings Limited (the 'Company') for the year ended 31 May 2023, which comprise the income statement, the statement of changes in equity, the balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to limited liability partnerships, 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management around actual and potential litigation and claims;
- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Review of the minutes of the Group's audit committee meetings;
- Reviewing accounting estimates such as stock provisioning and the bad debt provision for evidence of management bias;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Obtained confirmations from third parties to confirm existence of a sample of balances.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

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.

Martin Ramsey

Martin Ramsey BSc (Hons) FCCA (Senior statutory auditor)
for and on behalf of
MHA, Statutory Auditor
Birmingham, United Kingdom
Date: 29 February 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Chamberlin & Hill Castings Limited

Income statement
for the year ended 31 May 2023

	Note	2023 £	2022 £
Turnover	3	6,862,662	5,626,084
Cost of sales		(6,785,381)	(6,297,003)
Gross profit/(loss)		77,281	(670,919)
Distribution costs		(193,158)	(174,386)
Administrative expenses		(551,448)	(439,178)
Exceptional operating items	4	1,361,321	498,000
Operating profit/(loss)	4	693,996	(786,483)
Interest payable		(377,866)	(194,304)
Profit/(loss) on ordinary activities before taxation		316,130	(980,787)
Tax on profit/(loss) on ordinary activities	6	(411,758)	182,608
Loss for the financial year		(95,628)	(798,179)

All of the activities of the company are classed as continuing.

The notes on pages 12 to 29 form part of these financial statements

Chamberlin & Hill Castings Limited

Statement of comprehensive income
for the year ended 31 May 2023

	Note	2023 £	2022 £
Loss for the year		**(95,628)**	**(798,179)**
Other comprehensive (expense)/income			
Movements in fair value on cash flow hedge taken to other comprehensive income		**5,057**	**(157,926)**
Recycled to the income statement		**(134,834)**	**-**
Deferred tax on movement in cash flow hedges	6	**32,444**	**39,482**
Net other comprehensive expense that may be recycled to income statement		**(97,333)**	**(118,444)**
Other comprehensive expense for the year net of tax		**(97,333)**	**(118,444)**
Total comprehensive expense for the year attributable to equity holders of the company		**(192,961)**	**(916,623)**

The notes on pages 12 to 29 form part of these financial statements

Chamberlin & Hill Castings Limited

Statement of changes in equity
for the year ended 31 May 2023

	Share capital	Hedge reserve	Retained earnings	Attributable to equity holders of the company
	£	£	£	£
Balance at 1 June 2021	1,043,056	217,862	(7,685,993)	(6,425,075)
Loss for the year	-	-	(798,179)	(798,179)
Other comprehensive expense for the year net of tax	-	(118,844)	-	(118,844)
Total comprehensive expense	-	(118,844)	(798,179)	(916,623)
Balance at 1 June 2022	1,043,056	99,418	(8,484,172)	(7,341,698)
Loss for the year	-	-	(95,628)	(95,628)
Other comprehensive expense for the year net of tax	-	(97,333)	-	(121,337)
Total comprehensive expense	-	(97,333)	(95,628)	(216,965)
Balance at 31 May 2023	**1,043,056**	**2,085**	**(8,579,800)**	**(7,534,659)**

Share capital

Represents the nominal value of shares that have been issued.

Hedge reserve

The hedge reserve records the effective portion of the net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

Retained earnings

Retained earnings include the accumulated profits arising from the income statement and items from the statement of comprehensive income attributable to equity shareholders, less distributions to shareholders.

The notes on pages 12 to 29 form part of these financial statements.

Chamberlin & Hill Castings Limited

Balance sheet
at 31 May 2023

Company no: 00282360

	Note	2023	2022
		£	£
Fixed assets			
Intangible assets	8	69,397	84,003
Tangible assets	9	2,396,737	992,231
Deferred tax asset	10	214,586	761,630
		2,680,720	1,837,864
Current assets			
Stocks	11	1,290,885	1,520,405
Debtors due less than one year	12	1,674,764	1,446,147
Cash at bank and in hand		-	-
		2,965,649	2,966,552
Creditors: amounts falling due within one year	13	(12,321,554)	(10,849,724)
Net current liabilities		(9,355,905)	(7,883,172)
Total assets less current liabilities		(6,675,185)	(6,045,308)
Creditors: amounts falling due after more than one year	14	(669,474)	(1,106,390)
Provision for liabilities and charges	15	(190,000)	(190,000)
Net liabilities		(7,534,659)	(7,341,698)
Capital and reserves			
Share capital	16	1,043,056	1,043,056
Hedge reserve		2,085	99,418
Profit and loss account		(8,579,800)	(8,484,172)
Shareholders' deficit		(7,534,659)	(7,341,698)

The accounts were approved by the Board of Directors on 29 February 2024.

A Tomlinson
Director

The notes on pages 12 to 29 form part of these financial statement.

1 Company Information and Statement of compliance

Chamberlin & Hill Castings Limited (registration number 00282360), the company, is a private company limited by shares, which is registered and domiciled in England & Wales. The address of the registered office is Chuckery Road, Walsall, WS1 2DU.

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below in note 2. These policies have all been applied consistently throughout the period unless otherwise stated.

The financial statements have been prepared on a historical cost basis and on a going concern basis. The financial statements are presented in Sterling (£).

2 Summary of significant accounting policies

Going concern

The Director's assessment of going concern is based on the Company's and Chamberlin group's detailed forecast for the two years ending 31 May 2024 and 31 May 2025, which reflect the Director's view of the most likely trading conditions. The forecast includes revenue growth and margin improvement assumptions across all of the Group's businesses. For the Company, revenue and margin growth assumptions are based on new programs and orders secured. The Directors have applied reasonably foreseeable downside sensitivities to the forecast. Furthermore, the Group is reliant on an invoice finance facility to fund its working capital needs. The renewal of the facility at the next annual review in March 2024 cannot be guaranteed, although there are no indications at the date of the approval of the financial statements that a renewal with the existing provider would not be granted or that alternative providers could not be found.

As a consequence, after making enquiries of the parent company, the Directors have an expectation that, in the circumstances of the reasonably foreseeable downside scenarios described above, the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis.

Parent Company

The Company is a wholly owned subsidiary of Chamberlin plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Chamberlin plc for the year ended 31 May 2023. Copies of these financial statements may be obtained from the Company Secretary at Chuckery Road, Walsall, West Midlands WS1 2DU.

2 Accounting policies *(Continued)*

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these statements do not include:

- A statement of cash flows and related notes
- IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments
- Fair value measurement disclosures

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue from the sale of manufactured goods is recognised when control passes to the buyer. Revenue from the sale of manufactured tooling is recognised when the customer has provided final approval and acceptance that the tooling is fit for purpose and can be used for production of the customer's goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax and duty.

Research and development

Research costs are expensed as incurred.
Development costs are treated as intangible assets and are amortised over their estimated economic lives of 5 years.
The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Computer software is amortised over its useful of 3 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.
Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Plant and machinery	-	10 - 20% straight line
Leasehold improvements	-	Period of lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2 Accounting policies *(Continued)*

Stock

Inventories are valued at the lower of cost and net realisable value, which is arrived at as follows:

Raw materials	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	actual cost of direct materials and labour plus attributable overheads based on a normal level of activity but excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.
Maintenance items are held in stock and expensed on use unless they exceed a de minimis level where they are capitalised under property, plant and equipment and depreciated over the remaining useful economic life of the item of property, plant and equipment to which they relate.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which is presented as cash at bank and in hand in the balance sheet. Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the balance sheet.

Trade receivables

Trade receivables, which generally have 30-60 day payment terms, are recognised and carried at original invoice amount less expected credit losses. Expected credit losses are based on previous experience and where there is objective evidence that the company will not be able to collect the full amount due.

Leases

All leases, with the exception of short-term leases and leases of low value assets, are treated as providing the company with a right to use the asset being leased. Accordingly, a right of use asset is recognised within fixed assets in the balance sheet together with a lease liability, measured using the present value of future lease payments. Right of use assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The present value of future lease payments is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

All other leases are treated as operating leases.

Operating leases

Where the Company is a lessee, payments made under an operating lease agreement are recognised as an expense on a straight-line basis over the lease term. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

2 **Accounting policies** *(Continued)*

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains on disposal of property, plant and equipment that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Government grants and subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with, normally when a grant claim has been approved by the government authority and the grant monies have been received. Where the grant relates to an expense item, it is recognised as a credit over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the statement of comprehensive income to match the depreciation of the related asset.

2 Accounting policies *(Continued)*

Borrowing costs

Interest incurred on a bank loan used to fund the construction or production of an asset which takes a substantial amount of time to get ready for intended use or sale of are capitalised as part of the cost of that asset, net of interest received on cash drawn down yet to be expended.

Capitalisation of borrowing costs commences when all of the following conditions are met:
· the Company incurs expenditure for the asset
· the Company incurs borrowing costs
· the Company undertakes activities necessary to prepare the asset for intended use or sale.

The capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for intended use or sale are complete. Where the active development of an asset is suspended then capitalisation of borrowing costs is also suspended.

All other borrowing costs are expensed.

Pension costs

The Company is part of the historic Group Chamberlin & Hill Staff Pension & Life Assurance Scheme which is a defined benefit scheme closed to future accrual. The Company's share of the net assets and liabilities of the Group Scheme cannot be separately identified, the company accounts for its pension contributions to the Group Scheme on a defined contribution basis.

The company operates a defined contribution pension scheme for employees. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency translation, derivative financial instruments and hedging

The functional and presentation currency of the Company is sterling (£).Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Any resulting exchange differences are taken to the consolidated income statement.

The Company is exposed to foreign exchange risk on income streams denominated in foreign currencies. In order to reduce the Company's exposure to currency fluctuations the Company sells a proportion of expected Euro revenues on forward contracts.

With effect from 1 April 2010 the Company adopted hedge accounting in respect of certain sales denominated in foreign currencies. Foreign currency forward contracts are being used to hedge the foreign currency risks on highly probable forecasted sales transactions. The fair value of forward currency contracts is calculated by reference to current market prices for contracts with similar maturity profiles. The proportion of the gain or loss on the hedging instrument that is determined as an effective hedge is recognised in other comprehensive income and the gain or loss on any ineffective component of a hedging instrument is recognised in profit and loss. Amounts initially recognised in equity are transferred to the income statement within sales when the forecast hedged transaction occurs.

Hedges are valued by reference to an external marked to market valuation. Company management perform an assessment to confirm the reasonableness of this valuation.

2 Accounting policies *(Continued)*

Use of accounting estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and judgements. Where appropriate, details of estimates and assumptions used are set out in the relevant notes to the accounts.

The key figures in the accounts that are most sensitive to such estimates and judgements are:

- Impairment of property, plant and equipment (judgement and estimate) – In 2021 following the cancellation of all contracts by BorgWarner, the Directors undertook a detailed impairment review of the cash generating unit (CGU) that was impacted by this decision. This review was updated in 2023 in the light of the CGUs financial performance in the year and future prospects included in the three year forecast. Note 12 provides details of the impairment review undertaken during the year
- Provision for obsolete inventory (judgement and estimate) – the Directors perform a review of inventory for slow-moving and obsolete items each year. The Directors reviewed the judgements made in 2021 in relation to slow moving and obsolete stock provisions associated with the BorgWarner contracts in the light of new contract wins in the year and forecast increases in revenue in the three year forecast. The review concluded that net realisable value was below cost and that an obsolete and slow-moving inventory provision was required, albeit at a reduced level compared to 2021. Note 11 provides further details of the provision made
- Property dilapidations – the Company occupies a rental property from which it conducts its activities. The Directors in the year reassessed the judgements made in 2021 concerning the future cost of returning the leased property to the landlords in the condition specified in the lease. Note 15 provides further details of the provision at the balance sheet date.
- Going concern (judgement and estimate) - a two year forecast has been prepared to assess the Company's and the Group's ability to continue to operate as a going concern. The forecast includes assumptions on the future level of trading activity, profitability and cash flow expected during this period and downside sensitivities to reflect scenarios where revenue and margin growth targets are not met. The Directors' Report on page 3 provides further details on the going concern assumption.
- Recoverability of deferred tax assets - deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

3 Turnover

The turnover and profit/(loss) before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2023 £	2022 £
United Kingdom	**3,100,301**	3,630,607
Europe	**3,762,361**	1,995,477
	6,862,662	5,626,084

4 Loss from operations

This is stated after charging/ (crediting) the following:

	2023 £	2022 £
Foreign currency gain	**(134,834)**	(162,609)
Auditors' remuneration	**46,600**	60,000
Depreciation of owned property, plant and equipment	**238,422**	150,767
Amortisation of intangible assets	**14,606**	(14,037)
Operating leases - land and buildings	**-**	200,000
- plant and machinery	**16,247**	60,090
Exceptional income	**(1,371,648)**	(498,000)

Exceptional income in 2023 of £1,371,648 (2022: nil) relate to the partial reversal of the £3,809,000 impairment in 2021 of assets relating to the machining facility. In 2022, £498,000 of the impairment charge relating to inventory was reversed, as a number of new contract wins indicated that the inventory will be utilised.

5 Staff costs

	2023 £	2022 £
Wages and salaries	**2,237,655**	2,135,196
Social security costs	**241,293**	243,974
Pension	**99,586**	100,766
	2,578,534	2,479,936

Staff costs shown above are net of £Nil (2022: £45,246) of coronavirus Job Retention Scheme receipts. The average monthly number of persons employed by the company, including Directors during the period was:

	2023 Number	2022 Number
Manufacturing	**64**	87
Administration	**7**	9
	71	96

K Price and A Tomlinson were Directors throughout the year ended 31 May 2023 and received no remuneration as directors of the Company. K Price and A Tomlinson were employed by Chamberlin plc, the ultimate parent company and their remuneration is disclosed in the Annual Report of that company. 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.

6 Taxation

	2023 £	2022 £
Current tax:		
Current tax on loss for the year	**(80,318)**	-
Adjustment in respect of prior years	**(87,412)**	(154,926)
	(167,730)	(154,926)
Deferred tax:		
Movement in the year	**296,391**	(27,856)
Adjustment in respect of prior years	**283,097**	174
Change in rate	**-**	-
	579,488	(27,682)
Tax expense/(credit) reported in the income statement	**411,758**	(182,608)

Adjustment in respect of prior years for current tax relates to R & D tax credits received relating to the previous year.

In addition to the amounts charged to the income statement, tax movements recognised through other comprehensive income was as follows:

	2023 £	2022 £
Deferred tax:		
Fair value movements on cash flow hedges	**(32,444)**	(39,482)
Tax credit reported in the statement of comprehensive income	**(32,444)**	(39,482)

6 Taxation (continued)

Reconciliation of total tax charge

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 19% (2022: 19%).

The differences are explained below:

	2023 £	2022 £
Profit/(loss) on ordinary activities before tax	**316,130**	(980,787)
Tax on profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2022: 19%)	**60,065**	(186,350)
Effects of:		
Effect of R&D claim and transfer pricing	**(41,471)**	(22,067)
Movement in deferred tax on change in corporation tax rate	-	-
Losses not recognised	**157,263**	187,247
Adjustment to corporation tax charges in respect of previous periods	**(87,412)**	(154,926)
Adjustment to deferred tax charges in respect of previous periods	**283,097**	174
Difference in tax rates	**40,216**	(6,686)
Tax expense/(credit) reported in the income statement	**411,758**	(182,608)

7 Dividends paid and proposed

	2023 £	2022 £
Paid equity dividends on ordinary shares		
Interim dividend of nil pence per share (2022 – nil pence per share)	-	-

8 Intangible assets

	Computer software £
Cost:	
As at 1 June 2022	673,548
Additions	-
At 31 May 2023	**673,548**
Amortisation:	
As at 1 June 2022	589,545
Charge	14,606
At 31 May 2023	**604,151**
Net book value:	
At 31 May 2023	**69,397**
At 31 May 2022	84,003

Included within computer software are assets with a net book value of £37,766 (2022: £47,705) relating to assets held under leases. Computer software is amortised over 5 years on a straight-line basis.

9 Tangible assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost:			
As at 1 June 2022	1,096,690	17,865,543	18,962,233
Additions	2,400	85,283	87,683
Reclassification from stock	-	183,597	183,597
At 31 May 2023	**1,099,090**	**18,134,423**	**19,233,513**
Depreciation/impairment:			
As at 1 June 2022	865,086	17,104,916	17,970,002
Charge	61,265	177,157	238,422
Impairment reversal	-	(1,371,648)	(1,371,648)
At 31 May 2023	**926,351**	**15,910,425**	**16,836,776**
Net book value:			
At 31 May 2023	**172,739**	**2,223,998**	**2,396,737**
At 31 May 2022	231,604	760,627	992,231

9 Tangible assets (continued)

Included within plant and machinery are assets with a net book value of £1,449,565 (2022: £122,337) relating to right of use assets held under leases. The depreciation charge relating to right of use assets for the period amounted to £14,402 (2022: £52,387). The interest expense relating to right of use assets included in interest payable amounted to £106,533 (2022: £121,910). Lease liabilities associated with right of use assets are disclosed in note 13 and 14.

Impairment has been assessed by comparing the book value of assets against their recoverable amounts. The recoverable amount of a CGUs assets is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cashflow projections from the 3 year financial plan approved by the Board. Following the loss in 2021 of revenue from BorgWarner, the sole customer of the CGU subject to the impairment review, its future profitability is entirely dependent upon winning new contracts. The projected cashflows reflect the latest expectations of demand for products in years 1 to 3. The cashflows are extrapolated into the future using a 2% growth rate that management believe could conservatively be achieved as efforts continue to replace lost BorgWarner revenue and have been discounted at an estimated cost of capital of 14.2%. In 2023, a number of new orders and programs were secured with new customers, with projected cashflows indicating that the CGU could return to profitability from year 1 of the financial projections. The key sensitivities around these projections are the level of sales volumes from the new contract wins. In light of current geo-political risks and the uncertainty surrounding the extent and timing of a future economic recovery in the Group's UK and worldwide markets, the Board have applied conservative assumptions in relation to the level of profitability that could be sustainable. Based on the assumptions noted above, including sensitivities regarding sales growth assumptions in the light of uncertainty in global markets, the Board concluded that the recoverable amount of the CGU is higher than the book value of the CGU's assets and have therefore reversed £1.4m in the current year of the £3.8m impairment charge originally recognised in 2021.

10 Deferred tax asset

The asset for deferred taxation consists of the following:

	2023 £	2022 £
Temporary differences relating to capital allowances	**213,196**	792,684
Other temporary differences	**2,085**	2,085
Fair value hedges	**(695)**	(33,139)
	214,586	761,630

Deferred tax has been calculated at the rate expected to apply at the time at which timing differences are forecast to reverse, based on tax rates which have been substantively enacted at the balance sheet date.

The corporation tax rate increased to 25% from 1st April 2023, with the tax value of deferred tax assets and liabilities at the year-end adjusted accordingly.

The movement in the deferred taxation provision during the period was:

	2023	2022
	£	£
Asset brought forward	**761,630**	694,466
Income statement movement arising during the year	**(579,488)**	27,856
Adjustment in respect of prior years	-	(174)
Change in rate	-	-
Statement of comprehensive income movement arising during the year	**32,444**	39,482
	214,586	761,630

11 Stock

	2023	2022
	£	£
Raw materials	**327,981**	852,502
Work in progress	**50,332**	126,463
Finished goods	**912,572**	541,440
Maintenance	-	-
	1,290,885	1,520,405

The replacement cost of stock is not materially different from the amount shown above. Stock recognised in cost of sales as an expense amounted to £3,068,348 (2022: £2,661,599). Stock is stated after an impairment provision for slow moving or obsolete stock of £104,110 (2022: £150,402). Inventory relating to fixed tooling with a cost value of £183,597 was transferred to plant and machinery in the year.

12 Debtors

	2023	2022
	£	£
Trade debtors	**1,375,121**	1,207,649
Corporation tax	**167,730**	154,926
Prepayments and accrued income	**129,134**	74,818
Fair value of forward currency contracts	**2,779**	-
Other debtors	-	8,754
	1,674,764	1,446,147

Trade debtors is stated after a provision for credit losses of £Nil (2022: £11,671). The amount charged to the profit and loss account in respect of credit losses in the period was £Nil (2022: £Nil).

Amounts due by group undertakings are unsecured, interest free and repayable on demand by agreement with the parent company.

13 Creditors: amounts falling due within one year

	2023 £	2022 £
Bank overdraft	**2,782,869**	2,931,252
Invoice finance facility	**1,273,921**	721,735
Lease liabilities	**460,389**	545,823
Trade creditors	**1,106,711**	985,860
Other taxation & social security	**1,642,035**	1,575,608
Other payables	**112,660**	85,377
Amounts due to group undertakings	**4,580,309**	3,700,380
Accruals and deferred income	**362,660**	301,411
Fair value of forward currency contracts	**-**	2,278
	12,321,554	10,849,724

The Chamberlin group has no net overdraft facility. However, under the terms of the Chamberlin group's banking arrangements, individual companies within the Group are permitted to have an overdraft position, provided the Group's net position is cash positive at the end of each banking day.

The invoice finance facility is secured against trade receivables, is repayable on demand and bear interest at 2.75% above base rate.

Lease liabilities are secured against the specific item to which they relate. These leases are repayable by monthly instalments with interest payable at a fixed rate that ranges between 3.1% and 6.9%.
Trade creditors are non-interest bearing and are normally on terms of 30 to 60 days.

Amounts due to group undertakings are unsecured, interest free and repayable on demand by agreement with the parent company.

14 Creditors: amounts falling due after more than one year

	2023 £	2022 £
Lease liabilities	**669,474**	1,106,390

Lease liabilities are repayable by monthly instalments through to March 2027. £430,267 (2022: £448,587) is repayable in 1-2 years, £239,207 (2022: £657,803) is repayable in 2-5 years and £Nil (2022: £Nil) is repayable in more than 5 years. Interest is payable at a fixed amount that ranges between 3.1% and 6.9%.

15 Provision for liabilities and charges

	2023 £	2022 £
Dilapidations	**190,000**	190,000

The dilapidations provision relates to rental property and is expected to be utilised within 4-5 years.

16 Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
20,861,120 ordinary shares of £0.05 each	**1,043,056**	1,043,056

17 Contingent liabilities

The company, together with its holding company and fellow subsidiaries, has given an unlimited multi-lateral guarantee to HSBC Bank Plc, in respect of overdraft facilities, invoice finance facilities and lease liabilities of each of the companies. The total borrowings of the holding company and group subsidiaries, including the company, at 31 May 2023 amounted to £8,376,528 (2022: £7,879,366). There are no other contingent liabilities in either the current or preceding period.

18 Pensions

The company participates in two Chamberlin group pension schemes, in which assets are held independently, a defined benefit scheme which was closed to future accrual with effect from 30 November 2007 and an ongoing defined contribution scheme. All future liabilities in relation to the defined benefit scheme are met by the parent company and no further liabilities will be recognised in these accounts.

No contributions are made to the defined benefit scheme and amounts unpaid to the defined contribution scheme at period end were £50,942 (2022 : £52,030).

19 Financial commitments

Capital expenditure

	2023 £	2022 £
Contracted but not provided for in the accounts	-	-

Lease commitments

The Company had total outstanding commitments under operating leases as follows:

	2023 £	2022 £
Not later than one year	-	-
After one year but not more than five years	-	-
After more than 5 years	-	-
	-	-

20 Related party transactions

The Company has taken advantage of the exemption in FRS 101 as a wholly owned subsidiary of Chamberlin Plc not to disclose details of related party transactions with other wholly owned companies of Chamberlin Plc (the "Group"). There were no other related party transactions requiring disclosure under FRS 101.

21 Derivatives and financial instruments

The Company considers the use of derivatives to reduce financial risk in a number of areas noted below. The only area where the use of derivatives is considered appropriate at present is that of currency risk. The carrying amount of financial assets and financial liabilities are not materially different to their fair value. The Company is only exposed to interest rate risk.

Currency risk
The Company's functional currency is sterling. The Company has euro denominated revenue that represents around 54% of total revenue. The average exchange rate used to translate into GBP Sterling was €1.15 (year ended 31 May 2022: €1.18).
During the year, the Company had forward currency hedging contracts in place representing approximately 50% of highly probable revenue forecasts. At 31 May 2023 there were net monetary assets (trade receivables, trade payables and cash at bank) denominated in euros of £393,000 (2022: £227,000). A proportion of the Group's financial liabilities are denominated in euros, reducing the currency risk of the Group. With approximately 50% of euro debtors hedged, the impact on net monetary assets of a 5% exchange rate change in the euro/sterling exchange rate would not be material to the profit and loss.
The terms of the forward currency hedging contracts have been aligned with the terms of the commitments and the cash flow hedges of expected future sales were assessed to be highly effective.

Forward currency contracts for the sale of euros outstanding at the year end have been recorded at fair value with the movement being recognised directly in other comprehensive income through the Consolidated Statement of Comprehensive Income. If these contracts were not in place and the euro/sterling exchange rate moved by plus or minus 5% the corresponding gain/loss to equity would be £6,000 (2022: £20,000).

A risk to the Company relates to ineffective hedges whereby highly probable sales do not occur and the Company is over hedged against those particular sales. This situation has not occurred during the current or prior period.

	Contracted amount €000	Weighted average contract rate €000	Contracted amount £000	Contracted Amount at period end rate £000	Unrealised Gain/(loss) £000
31 May 2023	**150**	**1.135**	**132**	**129**	**3**
31 May 2022	500	1.178	424	426	(2)

21 Derivatives and financial instruments (continued)

Interest rate risk

The Company utilises asset finance loans, finance leases and an invoice finance facility. Exposure to interest rate risk is considered to be low and no derivatives are used to modify the Company's interest rate risk profile. The impact of a 50 basis point increase in UK interest rates would be a £3,000 reduction in profit before tax (2022: £3,000). An equivalent decrease in rates would increase profit before tax by £3,000 (2022: £3,000).

An analysis of interest-bearing financial assets and liabilities is given below:

	2023 £	2022 £
Invoice finance (Sterling denominated)	**(513,892)**	(505,243)
Invoice finance (Euro denominated)	**(760,027)**	(216,492)
Lease liabilities (Sterling denominated)	**(1,129,863)**	(1,652,213)
	(2,403,782)	(2,373,947)

Credit risk

The Company trades only with recognised, 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. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 12. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of the instrument.

The bad debt charge for the period was £Nil (2022: £Nil).

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation and applying cash generation targets across the Company. Investment is carefully controlled, with authorisation limits operating up to Group board level and cash payback periods applied as part of the investment appraisal process. In this way the Company aims to maintain a good credit rating and operate within its existing facilities. There are no material differences between the fair values and carrying values of the financial assets and liabilities.

The Company's funding strategy is to maintain flexibility in managing its day to day working capital needs through the use of an invoice finance facility, subject to net worth and debtor turn covenants, along with an overdraft facility which is not subject to financial covenants, and to fund acquisitions and significant capital projects through the use of longer-term funding including bank loans and equity.

21 Derivatives and financial instruments (continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

All derivative financial assets and liabilities are valued by level 2 techniques. The fair values of short-term receivables, short term payables, and the invoice finance facility and overdraft (both of which are repayable on demand) are not disclosed, as permitted by IFRS 7, whereas the carrying amount is a reasonable approximation to fair value. The fair value of the asset finance loan has been determined by discounting the expected future cash flows using prevailing market interest rates (a level 2 technique).

The table below summarises the maturity profile of the Company's financial liabilities, including interest, at 31 May 2023 and 31 May 2022:

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Total
	£	£	£	£	£
Bank overdraft	**2,782,869**	-	-	-	**2,782,869**
Invoice finance	**1,273,921**	-	-	-	**1,273,921**
Lease liabilities	-	**552,689**	**515,058**	**273,399**	**1,341,146**
Trade payables	**1,106,711**	-	-	-	**1,106,711**
31 May 2023	**5,163,501**	**552,689**	**515,058**	**273,399**	**6,504,647**
Bank overdraft	2,931,252	-	-	-	2,931,252
Invoice finance	721,735	-	-	-	721,735
Lease liabilities	-	654,624	545,975	773,584	1,974,183
Trade payables	985,860	-	-	-	985,860
31 May 2022	4,638,847	654,624	545,975	773,584	6,613,030

21 Derivatives and financial instruments (continued)

The gross undiscounted future cash flows are analysed as follows:

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Total
	£	£	£	£	£
Foreign Exchange forward contracts	-	132,000	-	-	132,000
31 May 2023	-	132,000	-	-	132,000
Foreign Exchange forward contracts	-	424,000	-	-	424,000
31 May 2022	-	424,000	-	-	424,000

The outflows above relate to the settlement of the derivative contracts.

22 Ultimate parent company

The ultimate holding and controlling company is Chamberlin plc, a company incorporated in England. The results of Chamberlin & Hill Castings Limited and its fellow subsidiaries have been consolidated within the financial statements of Chamberlin plc. Copies of these financial statements may be obtained from the Company Secretary at Chuckery Road, Walsall, West Midlands WS1 2DU.