Russell Ductile Castings Limited

Report and Financial Statements

for the year ended

31 May 2022

Company number: 00324456

Russell Ductile Castings Limited

Annual report and financial statements
for the year ended 31 May 2022

Contents

Page:

Directors

K Price
A Tomlinson

Registered office

Chuckery Road, Walsall, West Midlands, WS1 2DU

Company Secretary

A Tomlinson

Company number

00324456

Auditor

Crowe UK LLP, Black Country House, Rounds Green Rd, Oldbury, B69 2DG

Bankers

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

Russell Ductile Castings Limited

Strategic report
for the year ended 31 May 2022

Principal activity and business review

The company's principal activity during the period was the manufacture and sale of iron castings. A specialist in manufacturing complex castings of between 100kg and 7,000kg, the company operates from a site in Scunthorpe, supplying to a wide range of industries. Applications typically require high strength or high temperature performance and include castings for large process compressors, renewable energy applications, industrial gas turbines and mining, quarrying and construction equipment.

The company had a very successful year, delivering record revenue and operating profit. Revenue of £8.0m was 20% higher on a pro rata basis and was in addition to an 18% pro rata increase in 2021. These increases continue to be driven by reduced competition in the UK foundry industry and the trend to re-shoring to the UK from overseas. The company improved its operating profit significantly from £0.2m in 2021 to £0.8m driven by increased revenues and gross margin improvement. The foundry continues to operate at near full capacity in response to both a growing customer demand and pipeline of opportunities, with the current order book at sufficient levels to ensure already that around 70% of the full-year FY 2023 management sales expectations are met.

Key performance indicators

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

	2022	2021
KPI:		
Return on sales (reported)	**7.7%**	2.5%
Return on sales (underlying)	**10.3%**	2.5%
Return on net assets (reported)	**24.3%**	26.8%
Return on net assets (underlying)	**32.5%**	26.8%
Sales per employee	**£137,551**	£141,261

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

Return on sales (underlying) is calculated from loss on ordinary activities before tax, foreign currency gain/(loss) and exceptional costs, divided by turnover for the year.

Return on net assets (underlying) is calculated from profit on ordinary activities before tax excluding exceptional items and foreign currency gain/(loss) 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 year divided by the average number of employees.

Principal risks and uncertainties

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.

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.

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
7 December 2022

Russell Ductile Castings Limited

Report of the Directors
for the year ended 31 May 2022

The Directors present their report together with the audited financial statements for the year ended 31 May 2022.

Results and dividends

The profit for the year after taxation amounted to £1,093,115 (2021: £205,226).

No dividend (2021 - £nil) is recommended.

Research and Development

Research and development activities consist primarily of devising methods for achieving the manufacture of thick wall Austempered Ductile Iron (ADI) castings. 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 period were as follows:

K Price (appointed 1 June 2021)
A Tomlinson (appointed 1 June 2021)

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 11, the Chamberlin Group and the company have adequate resources to continue in operational existence for the foreseeable future.

However, the rate at which revenue growth and margin improvement can be achieved during a potentially future recessionary period and uncertain global trading conditions is difficult to predict. Furthermore, the ability to renew or source alternative invoice finance facilities or to agree deferred settlement terms with HMRC results in material uncertainty, which may cast significant doubt over the ability of the Group and the Company to realise its assets and discharge its liabilities in the normal course of business and hence continue as a going concern.

The Directors continue to adopt the going concern basis, whilst recognising there is material uncertainty relating to the above matters.

Russell Ductile Castings Limited

Report of the Directors
for the year ended 31 May 2022 *(continued)*

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 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 and the Directors' Remuneration report 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

A resolution will be proposed to reappoint Crowe UK LLP as auditors and to authorise the directors to determine their remuneration.

On behalf of the board

A Tomlinson
Director
7 December 2022

Opinion

We have audited the financial statements of Russell Ductile Castings Limited for the year ended 31 May 2022 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet and notes to the financial statements, including 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 UK, including the FRC'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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the company is forecasting an improvement in overall activity due to improvements in automotive volumes and diversification into new markets. Management's projections assume an increase in other sales activity, continuing finance facilities and agreeing extended payment terms with some preferred creditors. Whilst discussions are ongoing, no binding agreements are in place.

As stated in Note 2, these events or conditions, along with the other matters set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. 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 directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 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 matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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 directors 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management posting of unusual or complex transactions/journals and manipulating the Company's key performance indicators to meet targets.

Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases and reviewing regulatory correspondence. We have confirmed the income recognition basis is appropriate, tested a sample of income transactions to confirm existence, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is available 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.

Crowe UK LLP

Mark Evans
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
B69 2DG

8 December 2022

Russell Ductile Castings Limited

Income statement
for the year ended 31 May 2022

	Note	Year ended 31 May 2022 £	14 months ended 31 May 2021 £
Turnover	3	**7,977,982**	7,769,377
Cost of sales		**(6,639,772)**	(6,770,055)
Gross profit		**1,338,210**	999,322
Distribution costs		**(195,990)**	(176,079)
Administrative expenses		**(320,502)**	(626,591)
Exceptional operating items	6	**(207,477)**	-
Operating profit	4	**614,241**	196,652
Interest (payable)/receivable		**(56,236)**	2,906
Profit on ordinary activities before taxation		**558,005**	199,558
Tax on profit on ordinary activities	7	**535,110**	5,668
Profit for the financial period		**1,093,115**	205,226

There is no comprehensive income in addition to the amounts disclosed in the income statement above and therefore no separate statement has been presented.

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

The notes on pages 11 to 24 form part of these financial statements

Russell Ductile Castings Limited

Statement of changes in equity
for the year ended 31 May 2022

	Share capital	Retained earnings	Attributable to equity holders of the company
	£	£	£
Balance at 1 April 2020	53,000	288,680	341,680
Profit for the period	-	205,226	205,226
Total comprehensive income	-	205,226	205,226
Balance at 1 June 2021	**53,000**	**493,906**	**546,906**
Profit for the year	-	**1,093,115**	**1,093,115**
Total comprehensive income	-	**1,093,115**	**1,093,115**
Balance at 31 May 2022	**53,000**	**1,587,021**	**1,640,021**

Share capital

Represents the nominal value of shares that have been issued.

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 11 to 24 form part of these financial statements

Russell Ductile Castings Limited

Balance sheet
at 31 May 2022

Company no: 00324456

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	133,530	134,495
Tangible assets	10	885,042	917,223
Deferred tax asset	11	468,623	-
		1,487,195	1,051,718
Current assets			
Stock	12	1,026,553	610,845
Trade and other receivables	13	2,012,851	1,196,593
Cash at bank		1,197,628	461,986
		4,237,032	2,269,424
Creditors: amounts falling due within one year	14	(3,104,952)	(2,762,022)
Net current assets/(liabilities)		1,132,080	(492,598)
Total assets less current liabilities		2,619,275	559,120
Creditors: amounts falling due after more than one year	15	(979,254)	(12,214)
Net assets		1,640,021	546,906
Capital and reserves			
Share capital	16	53,000	53,000
Profit and loss account		1,587,021	493,906
Shareholders' funds		1,640,021	546,906

The accounts were approved by the Board of Directors on 7 December 2022.

A Tomlinson
Director

The notes on pages 11 to 24 form part of these financial statements.

1 Company Information and Statement of compliance

Russell Ductile Castings Limited (registration number 00324456), 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 three years ending 31 May 2023, 31 May 2024 and 31 May 2025, which reflect the Director's view of the most likely trading conditions. Since the balance sheet date, HSBC have confirmed their agreement to an increase in the Group's invoice finance facilities and the forecasts indicate that these bank facilities are expected to remain adequate. The forecast includes revenue growth and margin improvement assumptions across all of the Group's businesses. For the Company, these assumptions include an improvement in automotive volumes as this sector recovers from the backlog of passenger vehicle orders arising from the shortage of vital electronic and other components in the last 18 months, modest growth from fitness equipment and cookware products and diversification into new markets. The Directors have applied reasonably foreseeable downside sensitivities to the forecast, including sales growth and margin improvement at the Company is 40% and 20% lower than expectations respectively. 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 2023 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. In addition, the Directors have assumed that deferred settlement terms will be agreed with HMRC in relation to PAYE arrears of £1.5m for a fellow subsidiary in the Chamberlin Group.

As a consequence, after making enquiries, 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. However, the rate at which revenue growth and margin improvement can be achieved during a potentially future recessionary period and uncertain global trading conditions is difficult to predict. Furthermore, the ability to renew or source alternative invoice finance facilities or to agree deferred settlement terms with HMRC results in material uncertainty, which may cast significant doubt over the ability of the Group and the Company to realise its assets and discharge its liabilities in the normal course of business and hence continue as a going concern.

The Directors continue to adopt the going concern basis, whilst recognising there is material uncertainty relating to the above matters.

2 Accounting policies *(Continued)*

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 2022. Copies of these financial statements may be obtained from the Company Secretary at Chuckery Road, Walsall, West Midlands WS1 2DU.

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.

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.

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:

Freehold property	-	2% straight line
Plant and machinery	-	10 - 20% straight line
Fixtures and fittings	-	10 - 20% straight line
Motor vehicles	-	20% straight line

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.

Operating expenses

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

2 Accounting policies *(Continued)*

Stock

Stocks 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 comprise 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.

Finance 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.

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.

2 Accounting policies *(Continued)*

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.

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.

Deferred taxation

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.

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.

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.

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 currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement.

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 assumptions are:
- 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 result before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2022 £	2021 £
United Kingdom	**7,491,022**	7,226,424
Europe	**370,293**	407,979
Rest of World	**116,667**	134,974
	7,977,982	7,769,377

4 Profit from operations

This is stated after charging the following:

	2022 £	2021 £
Auditors' remuneration	**13,075**	10,000
Depreciation of fixed assets	**121,135**	113,018
Amortisation of intangible assets	**965**	1,125
Operating leases - plant and machinery	**61,646**	52,457

5 Staff costs

	2022 £	2021 £
Wages and salaries	**1,781,861**	1,857,651
Social security costs	**187,990**	185,460
Pension	**58,264**	58,315
	2,028,115	2,101,426

Staff costs shown above are net of £15,877 of coronavirus Job Retention Scheme receipts. The average monthly number of persons employed by the company, including Directors during the period was:

	2022 Number	2021 Number
Manufacturing	**53**	**50**
Administration	**5**	**5**
	58	**55**

K Price and A Tomlinson received no remuneration as directors of the Company. K Price and A Tomlinson were employed during the year 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 Exceptional operating items

	2022 £	2021 £
Impairment of receivable from fellow group company	**207,477**	-
	207,477	-

7 Taxation

	2022 £	2021 £
Current tax:		
Current tax on profit for the period	-	-
Adjustment in respect of prior years	(66,486)	(5,668)
	(66,486)	(5,668)
Deferred tax:		
Movement in the period	(171,088)	-
Adjustment in respect of prior years	(297,536)	-
	(468,624)	-
Tax credit reported in the income statement	(535,110)	(5,668)

Adjustment in respect of prior years for current tax relates to R & D tax credits receivable. In the Spring Budget 2021,the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This change in rate to 25% will not have a material impact on the tax charge.

Reconciliation of total tax charge

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2021: 19%).

The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	558,005	199,558
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	106,021	37,916
Effects of:		
Expenses not deductible for tax purposes	(37,549)	(80,891)
Difference in rate	11,836	-
Losses arising not recognised	-	105,917
Movement in previously unrecognised deferred tax asset	(251,396)	(62,942)
Adjustments in respect of previous periods	(364,022)	(5,668)
Tax credit reported in the income statement	(535,110)	(5,668)

8 Dividends paid and proposed

	2022	2021
	£	£
Dividends on ordinary shares		
Interim dividend of £nil per share (2021 – £nil per share)	-	-

9 Intangible assets

	Computer software
	£
Cost:	
At 1 June 2021	223,149
Additions	-
At 31 May 2022	**223,149**
Amortisation:	
At 1 June 2021	88,654
Charge for year	965
At 31 May 2022	**89,619**
Net book value:	
At 31 May 2021	**133,530**
At 31 May 2021	**134,495**

Computer software is amortised over 3 years on a straight-line basis.

10 Tangible assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost:				
At 1 June 2021	3,212,151	4,866,633	23,364	8,102,148
Additions	775,279	206,678	-	981,957
Disposals	(3,434,209)	-	-	(3,434,209)
Transfer	35,000	-	-	35,000
Reclassification	149,064	(149,064)	-	-
At 31 May 2022	737,285	4,924,247	23,364	5,684,896
Depreciation/ impairment:				
At 1 June 2021	2,460,966	4,700,595	23,364	7,184,925
Charge for year	52,100	69,035	-	121,135
Disposals	(2,506,206)	-	-	(2,506,206)
Reclassification	(948)	948	-	-
At 31 May 2022	5,912	4,770,578	23,364	4,799,854
Net book value:				
At 31 May 2022	731,373	153,669	-	885,042
At 31 May 2021	751,185	166,038	-	917,223

The net book value above includes right of use assets recognised in accordance with IFRS 16 'Leases' of £731,373 (2021: £Nil) in respect of land & buildings and £59,494 (2021: £14,464) relating to plant and machinery. The depreciation charge relating to right of use assets for the year amounted to £5,912 (2021: £4,729) for land and buildings and £24,619 (2021: £19,022) for plant and machinery. The interest expense relating to right of use assets included in interest payable amounted to £16,485 (2021: £319). Lease liabilities associated with right of use assets are disclosed in note 13 and 14.

11 Deferred tax assets

The asset for deferred taxation consists of the following:

	2022 £	2021 £
Temporary differences relating to capital allowances	246,930	-
Other temporary differences	65,443	-
Trading losses	156,250	-
	468,623	-

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 will increase 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:

	2022 £	2021 £
Asset brought forward	-	-
Income statement movement arising during the period	468,623	-
Adjustment in respect of prior years	-	-
Change in rate	-	-
Statement of comprehensive income movement arising during the period	-	-
	468,623	-

12 Stock

	2022 £	2021 £
Raw materials	405,907	228,319
Work in progress	524,429	351,447
Finished goods	96,217	31,079
	1,026,553	610,845

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 £3,586,387 (2021: £3,360,895). Work in progress and finished goods are stated after a provision for slow moving or obsolete stock of £32,727 (2021: £37,467) and £8,610 (2021: £21,904) respectively.

13 Debtors

	2022 £	2021 £
Trade debtors	1,749,748	1,186,313
Corporation tax receivable	66,486	5,668
Amount due from parent company	17,942	-
Prepayments and accrued income	178,675	4,612
	2,012,851	1,196,593

Trade debtors is stated after a provision for bad debts of £21,853 (2021: £178,586). The amount charged to the profit and loss account in respect of bad debts in the year was £3,011 (2021: £12,297 income).

14 Creditors: amounts due falling within one year

	2022 £	2021 £
Bank overdraft	-	114,246
Invoice finance facility	**1,118,163**	-
Lease liabilities	**74,141**	12,345
Trade creditors	**1,498,510**	971,085
Other taxation & social security	**252,130**	622,986
Amounts due to group undertakings	-	514,054
Accruals and deferred income	**162,008**	527,306
	3,104,952	2,762,022

Lease liabilities are secured against the specific item to which they relate. These leases are repayable by monthly instalments through to May 2032, with interest payable at fixed rates of interest of between 4.3% and 6.6%.

Invoice finance balances are secured against the trade receivables of the Company, are repayable on demand. Interest is payable at 2.75% over base rate.

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.

15 Creditors: amounts due falling after more than one year

	2022 £	2021 £
Lease liabilities	**979,254**	12,214
	979,254	12,214

Lease liabilities are repayable by monthly instalments through to May 2032. £79,551 (2021: £12,214) is repayable in 1 – 2 years, £262,751 (2021: £Nil) is repayable in 2 – 5 years and £636,952 (2021: £Nil) is repayable in more than 5 years. Interest is payable at a fixed amount of between 4.3% and 6.6%.

16 Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
53,000 ordinary shares of £1.00 each	**53,000**	53,000

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 asset loans of each of the companies. The total borrowings of the holding company and group subsidiaries, including the company, at 31 May 2022 amounted to £7,879,366 (2021: £2,926,670). 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 year end were £17,502 (2021 – £13,687).

19 Financial commitments

Capital expenditure

	2022	2021
	£	£
Contracted but not provided for in the accounts	-	-

19 Financial instruments

The Company does not use derivatives to reduce financial risk as it is not considered significant. The carrying amount of financial assets and financial liabilities are not materially different to their fair value. The Company is exposed to interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Company utilises 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 change in UK interest rates would not be material.

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 £3,011 (2021: £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

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 Ultimate parent company

The ultimate holding and controlling company is Chamberlin plc, a company incorporated in England. The results of Russell Ductile 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.