Russell Ductile Castings Limited

Report and Financial Statements

Year ended

31 March 2020

Company number: 00324456

Russell Ductile Castings Limited

Annual report and financial statements
for the year ended 31 March 2020

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Directors

K Price
A Tomlinson

Registered office

Chuckery Road, Walsall, West Midlands, WS1 2DU

Company Secretary

A Tomlinson

Company number

00324456

Auditor

Grant Thornton UK LLP, The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT

Bankers

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

Russell Ductile Castings Limited

Strategic report
for the year ended 31 March 2020

Principal activity and business review

The company's principal activity during the year was the manufacture and sale of iron castings. A specialist in manufacturing complex castings of between 100kg and 6,000kg, Russell Ductile Castings 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, industrial gas turbines and mining, quarrying and construction equipment. The foundry also takes responsibility for machining the castings, via a range of sub-contractors, and so a large proportion of its output is supplied as a finished part. Demand from its key markets during the financial year remained subdued, with revenue 19% lower than 2019. This led the Company to continue to take action to reduce the foundry's cost base to ensure a lower breakeven point. This has created a stronger platform which will help to ensure increased margin when market pressures reduce. The company intends to build upon the results in 2020/21.

Key performance indicators

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

	2020	2019
KPI:		
Return on sales (reported)	**(5.7)%**	(24.7)%
Return on sales (underlying)	**(1.6)%**	(0.2)%
Return on net assets (reported)	**480.4%**	(84.6)%
Return on net assets (underlying)	**137.6%**	(0.7)%
Sales per employee	**£102,777**	£118,631

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 is calculated from loss 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
5 July 2021

Russell Ductile Castings Limited

Report of the Directors
for the year ended 31 March 2020

The Directors present their report together with the audited financial statements for the year ended 31 March 2020.

Results and dividends

The loss for the year after taxation amounted to £292,269 (2019: £1,781,416).

No dividend (2019 - £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 year.

Directors

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

K Nolan (resigned 31 May 2021)
N Davies (resigned 31 May 2021)
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 Nolan and N Davies 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

The company has net current liabilities of £721,215 (2019: £450,817) and is dependent upon continuing financial assistance being made available by its parent, Chamberlin plc, to enable it to continue operating and meeting its liabilities as they fall due. This finance and support is available for a period of at least twelve months after the date of signing of these financial statements and has been confirmed in writing to the Directors. 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 10, the Chamberlin Group and the company have adequate resources to continue in operational existence for the foreseeable future.

However, the rate at which new work can be secured to replace the lost sales activity elsewhere in the Group is difficult to predict resulting in material uncertainty, which may cast significant doubt over the ability of the Chamberlin 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 matter.

Post balance sheet events

On 16 December 2020, a fellow Chamberlin Group subsidiary received notice from its major customer of its intention to cancel all contracts with effect from 22 January 2021. Further details of the impacts of this reduction in revenue on the Chamberlin Group is given in note 20 on page 24.

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 year. 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 Grant Thornton UK LLP as auditors and to authorise the directors to determine their remuneration.

On behalf of the board

A Tomlinson
Director
5 July 2021

Opinion

We have audited the financial statements of Russell Ductile Castings Limited (the 'company') for the year ended 31 March 2020, which comprise income statement, statement of changes in equity, the balance sheet and notes to the financial statements, 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 Disclosure 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 March 2020 and of its loss 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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events for the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the company is exposed to material uncertainty related to going concern over the rate at which new work can be secured to replace the lost activity at a fellow subsidiary which is difficult to predict. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[1] 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.
In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions 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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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, 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 for the financial statements

As explained more fully in the directors' responsibilities statement, 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. 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.

Matt Buckingham
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
5 July 2021

Russell Ductile Castings Limited

Income statement
for the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	3	**5,652,724**	6,999,253
Cost of sales		**(5,089,930)**	(6,034,378)
Gross profit		**562,794**	964,875
Distribution costs		**(55,919)**	(185,745)
Administrative expenses		**(591,976)**	(759,954)
Exceptional operating items	6	**(229,218)**	(1,711,953)
Operating loss	4	**(314,319)**	(1,692,777)
Interest payable		**(6,933)**	(33,579)
Loss on ordinary activities before taxation		**(321,252)**	(1,726,356)
Tax on loss on ordinary activities	7	**28,983**	(55,060)
Loss for the financial year		**(292,269)**	(1,781,416)

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 10 to 23 form part of these financial statements

Russell Ductile Castings Limited

Statement of changes in equity for the year ended 31 March 2020

	Share capital £	Retained earnings £	Attributable to equity holders of the company £
Balance at 1 April 2018	53,000	2,362,365	2,415,365
Loss for the year	-	(1,781,416)	(1,781,416)
Total comprehensive expense	-	(1,781,416)	(1,781,416)
Balance at 1 April 2019	53,000	580,949	633,949
Loss for the year	-	(292,269)	(292,269)
Total comprehensive expense	-	(292,269)	(292,269)
Balance at 31 March 2020	53,000	288,680	341,680

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 10 to 23 form part of these financial statements

Russell Ductile Castings Limited

Balance sheet
at 31 March 2020

Company no: 00324456

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	**135,620**	133,085
Tangible assets	10	**968,225**	1,005,718
		1,103,845	1,138,803
Current assets			
Stock	11	**549,130**	679,180
Trade and other receivables	12	**916,143**	1,569,041
Cash at bank		**990,065**	34,706
		2,455,338	2,282,927
Creditors: amounts falling due within one year	13	**(3,176,553)**	(2,733,744)
Net current liabilities		**(721,215)**	(450,817)
Total assets less current liabilities		**382,630**	687,986
Creditors: amounts falling due after more than one year	**14**	**(40,950)**	(54,037)
Net assets		**341,680**	633,949
Capital and reserves			
Share capital	15	**53,000**	53,000
Profit and loss account		**288,680**	580,949
Shareholders' funds		**341,680**	633,949

The accounts were approved by the Board of Directors on 5 July 2021.

A Tomlinson
Director

The notes on pages 10 to 23 form part of these financial statement.

1 Statement of compliance

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 year 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 company has net current liabilities of £721,215 (2019: £450,817) and is dependent upon continuing financial assistance being made available by its parent, Chamberlin plc, to enable it to continue operating and meeting its liabilities as they fall due. This finance and support is available for a period of at least twelve months after the date of signing of these financial statements and has been confirmed in writing to the Directors. The Chamberlin Group's detailed budget for the year ending 31 March 2022 and extended forecast for the six months to 30 September 2022 take into account the net proceeds of £3.3m raised from the Share Placing and Subscription announced by Chamberlin plc on 26 March 2021 and the Director's view of most likely trading conditions. These forecasts and projections indicate that existing bank facilities are expected to remain adequate. The budget and extended forecast provides for significant revenue growth in the second half of the year to 31 March 2022 and the 6 months to 30 September 2022. The budget includes the significant but necessary benefits and costs of the restructuring that will be required to right-size the cost-base of the Group to the lower level of revenue. As the implementation and delivery of the restructuring benefits and costs are within the control of the Directors, no downside sensitivities have been applied in relation to these. The Directors have, however, applied reasonably foreseeable downside sensitivities to the budget and forecast in relation to sales growth.
As a consequence, after making enquiries, the Directors have an expectation that, in the circumstances of a reasonably foreseeable downside scenario, the Chamberlin Group and the company have adequate resources to continue in operational existence for the foreseeable future.
However, the rate at which new work can be secured to replace the lost activity at a fellow subsidiary in the Group is difficult to predict resulting in material uncertainty, which may cast significant doubt over the ability of the Chamberlin 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 matter.

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 March 2020. 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 reconcillations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures

2 Accounting policies *(Continued)*

- 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 goods is recognised when the significant risks and rewards of ownership have passed to the buyer. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax and duty.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:
· the significant risks and rewards of ownership are transferred to the buyer;
· the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
· the amount of revenue can be measured reliably;
· it is probable that the Group will receive the consideration due under the transaction; and
· the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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
Computer software	- 10 - 33% 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.

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.

2 Accounting policies *(Continued)*

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.

Operating expenses

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

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.

2 Accounting policies *(Continued)*

Borrowing costs (continued)

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 year. 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.
- Impairment of property, plant and equipment – the Company performs an impairment review when indications of impairment exist. Impairment testing requires an estimate of future cash flows and the application of a suitable discount rate.

3 Turnover

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

An analysis of turnover by geographical market is given below:

	2020 £	2019 £
United Kingdom	**5,103,635**	6,050,381
Europe	**375,434**	723,868
Rest of World	**173,655**	225,004
	5,652,724	6,999,253

4 Loss from operations

This is stated after charging the following:

	2020 £	2019 £
Auditors' remuneration	**6,000**	6,000
Depreciation of owned fixed assets	**110,970**	435,020
Amortisation of intangible assets	**965**	964
Operating leases - plant and machinery	**39,653**	16,700

5 Staff costs

	2020 £	2019 £
Wages and salaries	**1,693,877**	1,871,142
Social security costs	**167,750**	182,873
Pension	**46,618**	75,490
	1,908,245	2,129,505

The average monthly number of persons employed by the company, including Directors during the year was:

	2020 Number	2019 Number
Manufacturing	**50**	**51**
Administration	**5**	**8**
	55	**59**

K Nolan and N J Davies received no remuneration as directors of the Company. K Nolan and N J Davies are 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 Exceptional operating items

	2020 £	2019 £
Impairment of tangible fixed assets	**-**	1,689,000
Reorganisation costs	**229,218**	22,953
	229,218	1,711,953

The impairment of tangible fixed assets is disclosed in note 10. Reorganisation costs relate to redundancy costs incurred from a restructuring undertaken during the year.

7 Taxation

	2020 £	2019 £
Current tax:		
Current tax on profit for the year	-	-
Adjustment in respect of prior years	(28,983)	55,060
	(28,983)	55,060
Deferred tax:		
Movement in the year	-	-
Adjustment in respect of prior years	-	-
	-	-
Tax (income)/expense reported in the income statement	(28,983)	55,060

Adjustment in respect of prior years relates to an adjustment in the transfer pricing adjustment within the Group. Following changes that were substantively enacted on 17 March 2020, the corporation tax rate will remain at 19% from 1 April 2020 rather than the previously enacted rate of 17%. In the Spring Budget 2021,the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since this change had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, had the change been substantively enacted by the balance sheet date, it is likely that there would be no change to the tax credit in the profit and loss account.

Reconciliation of total tax charge

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2019: 19%).

The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(321,252)	(1,726,356)
Tax on loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	(61,038)	(328,008)
Effects of:		
Expenses not deductible for tax purposes	(20,912)	172,618
Capital allowances in excess of depreciation	(83,268)	73,296
Losses arising not recognised	166,782	82,094
Movement in previously unrecognised deferred tax asset	(1,564)	-
Adjustments in respect of previous periods	(28,983)	55,060
Tax (income)/expense reported in the income statement	(28,983)	55,060

8 Dividends paid and proposed

	2020 £	2019 £
Dividends on ordinary shares		
Interim dividend of £nil per share (2019 – £nil per share)	-	-

9 Intangible assets

	Computer software £
Cost:	
As at 1 April 2019	219,649
Additions	3,500
At 31 March 2020	**223,149**
Depreciation:	
As at 1 April 2019	86,564
Charge for the year	965
At 31 March 2020	**87,529**
Net book value:	
At 31 March 2020	**135,620**
At 31 March 2019	**133,085**

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:				
As at 1 April 2019	3,158,422	4,784,868	23,364	7,966,654
Additions	2,400	71,078	-	73,478
At 31 March 2020	3,160,822	4,855,946	23,364	8,040,132
Depreciation/impairment:				
As at 1 April 2019	2,358,756	4,578,816	23,364	6,960,936
Charge for the year	57,817	53,154	-	110,971
At 31 March 2020	2,416,573	4,631,970	23,364	7,071,907
Net book value:				
At 31 March 2020	744,249	223,976	-	968,225
At 31 March 2019	799,666	206,052	-	1,005,718

Included in land and buildings is land which is not depreciated. The cost at 31 March 2020 was £173,339 (2019 - £173,339). The net book value above includes right of use assets recognised in accordance with IFRS 16 'Leases' of £4,729 relating to land and buildings and £18,400 relating to plant and machinery. The depreciation charge relating to right of use assets for the year amounted to £5,674 for land and buildings and £9,600 for plant and machinery. The interest expense relating to right of use assets included in interest payable amounted to £1,654. Lease liabilities associated with right of use assets are disclosed in note 13 and 14.

As a result of the loss before tax in the year, an impairment review was undertaken in relation to fixed assets. The key assumptions in these calculations are the long-term growth rates and discount rate applied to the forecast cashflows in addition to the achievement of the forecasts themselves. The long term growth rate used is based on economic forecasts of the long-term growth rate for the UK. The pre-tax discount rate used is based on the pre-tax weighted average cost of capital of 11.1%.

It was concluded that the recoverable amount exceeded the book value of the assets and as such no impairment charge is deemed necessary.

11 Stock

	2020 £	2019 £
Raw materials	**226,002**	251,210
Work in progress	**318,808**	415,855
Finished goods	**4,320**	12,115
	549,130	679,180

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 £2,261,238. Work in progress and finished goods are stated after a provision for slow moving or obsolete stock of £21,232 and £95,570 respectively.

12 Debtors

	2020 £	2019 £
Trade debtors	**902,987**	1,536,688
Prepayments and accrued income	**13,156**	32,353
	916,143	1,569,041

Trade debtors is stated after a provision for bad debts of £190,844. The amount charged to the profit and loss account in respect of bad debts in the year was £18,240.

13 Creditors: amounts due falling within one year

	2020 £	2019 £
Asset finance loans	**1,067**	15,813
Invoice finance facility	**42,193**	874,542
Lease liabilities	**12,303**	12,303
Trade creditors	**877,704**	961,332
Other taxation & social security	**173,763**	152,741
Amounts due to group undertakings	**485,000**	532,519
Accruals and deferred income	**1,584,523**	184,494
	3,176,553	2,733,744

Asset finance loans and lease liabilities are secured against the specific item to which they relate. These loans and leases are repayable by monthly instalments through to November 2022, 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 2.3% 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.

14 Creditors: amounts due falling after more than one year

	2020 £	2019 £
Asset finance loans	**23,694**	23,694
Lease liabilities	**17,256**	30,343
	40,950	54,037

Asset finance loans and lease liabilities are repayable by monthly instalments through to November 2022. £26,771 (2019: £26,771) is repayable in 1 – 2 years and £14,179 (2019: £27,266) is repayable in 2 – 5 years. Interest is payable at a fixed amount of between 4.3% and 6.6%.

15 Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
53,000 ordinary shares of £1.00 each	**53,000**	53,000

16 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 March 2020 amounted to £5,065,000 (2019: £5,649,000). There are no other contingent liabilities in either the current or preceding year.

17 Pensions

The company participates in various Chamberlin Group pension schemes, in which assets are held independently, including 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 £8,530 (2019 – £11,858).

18 Financial commitments

Capital expenditure

	2020 £	2019 £
Contracted but not provided for in the accounts	-	-

18 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 year was £nil (2019: £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

19 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.

20 Subsequent events

On 16 December 2020, a fellow Chamberlin Group subsidiary received notice from its major customer, BorgWarner Turbo Systems Worldwide Headquarters GmbH, of its intention to cancel all contracts with effect from 22 January 2021. Following this announcement, it became evident that Chamberlin plc and the company were not in a position to publish the 2020 Accounts within the prescribed timescales. Consequently, Chamberlin plc shares were suspended from trading on AIM with effect from 4 January 2021. The Board of Chamberlin plc and its advisers immediately implemented measures to reduce costs and preserve cash whilst exploring options to strengthen the balance sheet in order to safeguard the Group and company's future. After evaluating a number of alternative options with its advisers, Chamberlin plc issued a £200,000 unsecured convertible loan note to Mr Trevor Brown in February 2021 to provide immediate short-term working capital, which was converted into 3,333,333 Ordinary Shares following Shareholder approval at the General Meeting held on 8 March 2021. On that same date, Mr Trevor Brown was appointed to the Board of Chamberlin plc as a Non-Executive Director.
The Chamberlin plc Board continued to explore further funding possibilities and on 26 March 2021 announced that it had raised net proceeds of £3.3 million by way of a Share Placing and Subscription. The primary purpose of the Share Placing and Subscription was to fund working capital and to meet the restructuring costs associated with reducing the cost base to a level appropriate to the lower ongoing revenue of the Group.

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.