

Cronite Castings Limited

**Annual report and financial statements for the
year ended 31 December 2022**

Company registration number: 00805297

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Cronite Castings Limited

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Cronite Castings Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Wittmann Resigned 3 January 2022
C Marin
P White
P Münch Appointed 3 January 2022

COMPANY SECRETARY

A Feetham

REGISTERED OFFICE

Blacknell Lane
Crewkerne
Somerset
TA18 7YA

AUDITOR

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Cronite Castings Limited

STRATEGIC REPORT

Review of the business

The principal activity of the company continues to be the design, manufacture and repair of heat and corrosion resistant equipment for the engineering and chemical industries.

The company's sales increased from £18,218,002 to £20,476,017 due to the recovery of its aerospace market and the rise of the cost of its main commodity nickel to which sales prices are linked. Whilst the increased cost of nickel raised the cost of sales, the company undertook fewer contracts priced for production elsewhere in the Group compared to 2021 which led to a 5.96% improvement in gross margin up £1,534,576. Administration costs decreased £1,023,346, £792,283 of the decrease due to foreign exchange gains of £362,597 in contrast to losses in 2021 of £429,686. Other income fell £5,898 due to lower furlough subsidies. The improvement in gross profit and the foreign exchange gains were key to the company making an operating profit before interest of £1,837,234.

The difficulty in recruiting enough labour and rising electricity costs led the company to temporarily suspend its lost wax foundry operation from November 2021 subcontracting production to another Group site and transferring most of the employees to sand casting operations to increase its capacity. In May 2022 the company started lost wax production again but continued to subcontract some production to other Group sites.

Key performance indicators

The company views order intake and gross margin as key performance indicators for the financial performance of the company as volume and margin are key influences on profit before taxation given the company's largely fixed overhead cost base. Order intake for 2022 was £22.1m (2021: £20.8m). The company monitors these against budget and forecast. Most markets operated at normal levels during 2022 with the recovery of the aerospace market. The company is satisfied with the order intake level in 2023 to date. The company also monitors a range of customer satisfaction and manufacturing performance ratios.

Principal risks and uncertainties

The directors view the volatility of the sectors which the company operates in, and the corresponding impact that this has on the order book, to be the principal risk to the business.

Recruitment is also currently considered one of the company's main challenges going forward. The company will continue to subcontract operations elsewhere in the Group to help meet growing demands.

Brexit continues to be a source of uncertainty as border regulations for the clearance of goods tightened from 1 January 2022. The company continues to sell directly to most European customers but did change to sell via Group operations in Europe when customers sought duty cleared goods and will continue this strategy. The company also has options to manage its currency and source of purchases to mitigate currency exposure.

Significant Events since the Balance Sheet Date

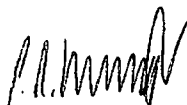
Since the year end Cronite SA the immediate holding company has acquired ownership of the creditor of £3,802,826 owed to the former fellow UK subsidiary for the transfer of operations 2019 and waived collection allowing Cronite Castings Limited to write it back thus increasing reserves.

Future developments

The company continues to invest in design and material developments to enhance the services it offers to its customers and is pursuing initiatives on behalf of itself and other Group companies to diversify into new product and area markets. It also invests in new plant and tooling to increase and improve its production facilities.

Approved by the Board of Directors and signed on behalf of the Board by

P White
Director
30 June 2023



Cronite Castings Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2022.

Financial risk management objectives and policies.

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity price risk through forward purchase contracts.

Credit risk

The company's principal financial assets are bank balances, trade and other debtors. The company's credit risk is primarily attributable to its external trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of cash flows. The company reduces its risks by insuring its external trade debtors.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency rates. The company will consider use of foreign exchange forward contracts to hedge these exposures. There were no open contracts at 31 December 2022.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses short-term debt finance.

Defined benefit pension scheme

The company operates a defined benefit pension scheme, which at 31 December 2022 had a net deficit of £446,000 (2021: deficit £76,000). Management mitigate the risk through working closely with Scheme Trustees to agree an appropriate schedule of payments into the scheme to reduce the deficit and minimise potential future exposure.

Subsequent events and future developments

Details of significant subsequent events and future developments are set out in the Strategic Report on page 2.

Research and development

The company continues to invest in design and material development to enhance the services it offers its customers and to diversify into new products and markets.

Existence of branches outside the United Kingdom

The company has no branches outside the UK.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities.

Employees

The company has in place equal opportunity policies to ensure that no applicant or employee is discriminated against on grounds made unlawful under the Equality Act 2010, and to ensure that employees work in an environment which allows them to fulfil their potential without fear of discrimination or harassment.

Cronite Castings Limited

DIRECTORS' REPORT (continued)

Going Concern

The company meets its day to day working capital requirements through a UK banking facility which will be transferred to HSBC during 2023 as part of a Group arrangement. The company's forecasts and projections, show that the company should be able to operate within the level of its current and proposed facilities. The company can also look to the Group for repayment of group loans if required.

The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing these financial statements. The directors have considered the facilities available to the company and believe they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the going concern basis continues to be adopted.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the financial statements.

Dividends

No dividend was declared during the year (2021: £Nil)

Directors

The directors, who served throughout the year and subsequently were as follows:

P Wittmann Resigned 3 January 2022
P Munch Appointed 3 January 2022
C Marin
P White

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cronite Castings Limited

DIRECTORS' REPORT (continued)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

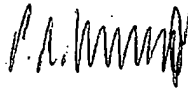
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Mazars LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the board

P White
Director



30 June 2023

Cronite Castings Limited

Independent auditor's report to the members of Cronite Castings Limited

Opinion

We have audited the financial statements of Cronite Castings Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, statement of changes in equity 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 December 2022 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.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Cronite Castings Limited

Independent auditor's report to the member of Cronite Castings Limited (continued)

- 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 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, 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 specific 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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. Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatements in respect to non-compliance, our procedures included but were not limited to:

Cronite Castings Limited

Independent auditor's report to the member of Cronite Castings Limited (continued)

- Inquiring of management, and where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates such as property valuation, in particular in relation to, revenue recognition which we pinpointed to the cut-off risk, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

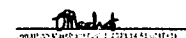
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit 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.


Jonathan Marchant (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
90 Victoria Street, Bristol, BS1 6DP

Jul 3, 2023

Cronite Castings Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	20,476,017	18,218,002
Cost of sales		(16,401,260)	(15,677,821)
Gross profit		4,074,757	2,540,181
Administrative expenses		(2,284,452)	(3,307,798)
Other income	4	46,929	52,827
Operating profit / (loss)		1,837,234	(714,790)
Interest receivable	5	47,808	51,658
Interest payable and similar charges	6	(30,457)	(13,857)
Profit / (loss) on ordinary activities before taxation		1,854,585	(676,989)
Tax on profit / (loss) on ordinary activities	11	(409,290)	162,317
Profit / (loss) for the financial year attributable to the equity shareholders of the Company		1,445,295	(514,672)

All activities are continuing.

Cronite Castings Limited

STATEMENT OF COMPREHENSIVE INCOME **For the year ended 31 December 2022**

	2022 £	2021 £
Profit / (loss) for the financial year	<u>1,445,295</u>	<u>(514,672)</u>
Actuarial (loss) relating to the net defined benefit pension scheme	(589,000)	(465,000)
Tax relating to components of other comprehensive income	<u>147,250</u>	<u>88,350</u>
Other comprehensive income	<u>(441,750)</u>	<u>(376,650)</u>
Total comprehensive income attributable to equity shareholders of the Company	<u><u>1,003,545</u></u>	<u><u>(891,322)</u></u>

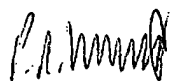
Cronite Castings Limited

BALANCE SHEET As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	1,986,314	2,377,959
Investment	14	81	81
Current assets			
Stocks	15	2,787,671	2,036,923
Debtors – due within one year	16	8,973,602	9,230,927
Cash at bank and in hand		292,171	426,660
		<u>12,053,444</u>	<u>11,694,510</u>
Creditors: amounts falling due within one year	17	<u>(8,032,483)</u>	<u>(9,465,950)</u>
Net current assets		<u>4,020,961</u>	<u>2,228,560</u>
Total assets less current liabilities		<u>6,007,356</u>	<u>4,606,600</u>
Creditors: amounts falling due after one year	18	<u>(73,775)</u>	<u>(106,564)</u>
Provisions for liabilities			
Product warranties	19	<u>(77,211)</u>	<u>(17,211)</u>
Deferred tax (liability)	20	<u>-</u>	<u>-</u>
Net assets excluding pension		<u>5,856,370</u>	<u>4,482,825</u>
Pension (liability)	23	<u>(446,000)</u>	<u>(76,000)</u>
Net assets		<u><u>5,410,370</u></u>	<u><u>4,406,825</u></u>
Capital and reserves			
Called-up share capital	21	30,000	30,000
Profit and loss account	21	<u>5,380,370</u>	<u>4,376,825</u>
Shareholders' funds		<u><u>5,410,370</u></u>	<u><u>4,406,825</u></u>

The financial statements of Cronite Castings Limited (registered number 00805297) were approved by the board of directors and authorised for issue on 30 June 2023. They were signed on its behalf by:

P White
Director



Cronite Castings Limited

STATEMENT OF CHANGES IN EQUITY As at 31 December 2022

	Note	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2021		30,000	5,268,147	5,298,147
Profit for the financial year		-	(514,672)	(514,672)
Actuarial (loss) on defined benefit pensions scheme		-	(465,000)	(465,000)
Taxation relating to actuarial (loss)		-	88,350	88,350
Total comprehensive income		-	(891,322)	(891,322)
Dividends paid on equity shares	12	-	-	-
At 31 December 2021		30,000	4,376,825	4,406,825
Profit for the financial year		-	1,445,295	1,445,295
Actuarial (loss) on defined benefit pensions scheme		-	(589,000)	(589,000)
Taxation relating to actuarial (loss)		-	147,250	147,250
Total comprehensive income		-	1,003,545	1,003,545
Dividends paid on equity shares	12	-	-	-
At 31 December 2022		30,000	5,380,370	5,410,370

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Cronite Castings Limited is a private company limited by shares incorporated and registered in England in the United Kingdom under the Companies Act. The address of the registered office is given on the 'Officers and Professional Advisers' page. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Cronite Castings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. Amounts are rounded to the nearest pound.

Cronite Castings Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The results of Cronite Castings Limited are consolidated in the financial statements of its ultimate parent company Cronite Holding SAS. The accounts of Cronite Holding SAS are available from Route du Lude, 72230 Arnage, France. Exemptions have been taken in these separate company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report along with the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through a UK banking facility which will be transferred under a Group arrangement to HSBC during 2023. The company's forecasts and projections, show that the company should be able to operate within the level of its current facilities and proposed facilities. The company can also look to the Group for repayment of group loans if required.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Plant and machinery 10 -50% per annum

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Fixed assets in the course of construction are not depreciated. On commissioning of fixed assets not in service, the costs are transferred to the relevant category and depreciation commences.

d. Financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. There is no use of derivative financial instruments for speculative purposes.

e. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

f. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Cronite Castings Limited

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

g. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically despatched to the customer except for ex-works orders, whereby revenue is recognised on completion of the order. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

h. Employee benefits

The company operates a defined benefit pension scheme. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as parts of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in a separate trustee-administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

The company also operates two defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Redundancy costs are amounts payable to employees as a result of a decision by the company to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy, and are charged to the profit and loss account on an accruals basis when the company is demonstrably committed to the termination of employment.

i. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

j. Leases and hire purchase contracts

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Assets acquired under hire purchase contracts are capitalised and are depreciated over their useful lives. The capital element of future hire purchase obligations are recorded as liabilities, whilst the interest elements are charged to the profit and loss account over the period of the contract on a straight-line basis.

Cronite Castings Limited

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

k. *Research and development*

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects.

k. *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Investments held as fixed assets are stated at cost less provision for impairment.

m. *Government grants*

Grants receivable as compensation for expenses or losses already incurred and without specified future performance related conditions are recognised in other income when the grant proceeds are received or receivable.

Grant income from the Coronavirus Statutory Sick Pay Rebate Scheme has been recognised in the period to which the underlying staff costs relate.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty - Stock valuation

The level of provision required as well as the overhead absorption rates for work in progress in order to ensure that all products are valued at the lower of cost and net realisable value are key estimates given the materiality and volumes of stock. The carrying value of stock held at the year end is shown within note 15.

Key source of estimation uncertainty - defined benefit pension scheme assumptions

The valuation of the company's defined benefit pension scheme involves complicated actuarial assumptions to determine future pension increases, mortality rates, long term discount and inflation rates. These assumptions are inherently judgemental. Details of key assumptions and pension scheme valuations are shown within note 23.

3. Turnover and revenue

Turnover comprises the value of sales (excluding VAT) of goods from the company's principal activity in the normal course of business. Turnover is recognised on the despatch of goods. All sales arise from a single class of business.

Cronite Castings Limited

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3. Turnover and revenue (continued)

The company's turnover by geographical market is as follows

	2022 £	2021 £
Turnover:		
United Kingdom	3,428,627	2,610,314
Rest of Europe	14,620,468	10,446,109
Asia	1,225,834	2,803,120
North and South America	1,201,088	2,315,981
Africa	-	42,478
	<u>20,476,017</u>	<u>18,218,002</u>

4. Other income

	2022 £	2021 £
Research and development tax credit	45,522	33,783
Grant income under the Coronavirus Job Retention Scheme	-	17,235
Grant income under the Coronavirus Statutory Sick Pay Rebate Scheme	1,407	1,809
	<u>46,929</u>	<u>52,827</u>

5. Interest receivable

	2022 £	2021 £
Interest income from Group companies	46,808	47,478
Other interest receivable	-	180
Net pension scheme finance charge (note 23)	1,000	4,000
	<u>47,808</u>	<u>51,658</u>

6. Interest payable and similar charges

	2022 £	2021 £
Hire Purchase interest	3,333	2,500
Other interest payable	27,124	11,357
	<u>30,457</u>	<u>13,857</u>

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

7. Profit / (loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting):

	2022 £	2021 £
Depreciation of tangible fixed assets (note 13)	531,957	591,535
Depreciation of tangible fixed assets held under hire purchase contracts (note 13)	18,341	7,642
Operating lease rentals - land and buildings	41,500	41,500
Operating lease rentals - other	74,145	78,115
Foreign exchange (gains) / losses	(362,597)	429,686

8. Auditor's remuneration

Fees payable to Mazars LLP for the audit of the company's annual accounts were £31,365 (2021:£29,870).

9. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Production	117	136
Administration	8	9
	<u>125</u>	<u>145</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	3,726,217	3,915,257
Social security costs	369,830	369,314
Defined benefit pension scheme current service cost (note 23)	9,000	8,000
Other pension costs (note 23)	169,603	175,243
Other defined benefit pension costs	10,696	7,620
Redundancy costs	43,111	57,543
	<u>4,328,457</u>	<u>4,532,977</u>

Other pension costs include only those items included within operating costs.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

10. Directors' remuneration and transactions

	2022 £	2021 £
Directors' remuneration		
Emoluments	77,308	233,447
Company contributions to other pension schemes	8,322	9,855
	<u>85,630</u>	<u>243,302</u>

The emoluments of one director is included here (2021: two).
No directors are members of the defined benefit pension scheme.

Included within the above emoluments in 2021 was a provision for compensation for loss of office totalling £96,900, calculated as six months' gross pay and a relocation package. Costs paid in 2022 were £81,785.

The following directors are paid by or recharged to another Group company. Their employment costs are included in the accounts of the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors or employees of the other group companies.

Director	Remunerated by
P Wittmann	Cronite SA to 3 January 2022
P Münch	Cronite Holding SA
C Marin	Cronite SA

11. Tax on profit / (loss) on ordinary activities

	2022 £	2021 £
The tax charge comprises:		
Current tax on profit / (loss) on ordinary activities		
UK corporation tax at 19.00% (2021: 19.00%)	327,137	-
Adjustments in respect of prior years	<u>(169,550)</u>	<u>13,269</u>
Total current tax	157,587	13,269
Deferred tax		
Origination and reversal of timing differences	13,035	(221,629)
Adjustments in respect of prior years	234,551	-
Effect of tax rate change on opening balances	<u>4,117</u>	<u>46,043</u>
Total deferred tax (see note 20)	251,703	(175,586)
Total tax on profit/ (loss) on ordinary activities	<u>409,290</u>	<u>(162,317)</u>

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2021: 19.00%). There is no expiry date on timing differences, unused tax losses or tax credits.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11. Tax on profit / (loss) on ordinary activities (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit / (loss) before tax is as follows:

	2022 £	2021 £
Profit / (loss) on ordinary activities before tax	1,854,585	(676,989)
Tax on profit / (loss) on ordinary activities at standard UK corporation tax rate of 19.00% (2021: 19.00%)	352,371	(128,628)
Effects of:		
- fixed asset differences	(3,966)	(15,194)
- expenses not deductible for tax purposes	416	3,006
- income not taxable	-	-
- R&D expenditure and other credits	(8,649)	(6,419)
- mounts credited directly to equity	-	-
- group relief surrendered	-	-
- remeasurement of deferred tax for change in tax rates	4,117	(28,351)
- adjustments in respect of previous periods	65,001	13,269
Total tax charge for the period	409,290	(162,317)

The rate of corporation tax during the period was 19%.

An increase in the UK corporation tax from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset at 31 December 2022 has been calculated based on this rate.

12. Dividends on equity shares

	2022 £	2021 £
Amounts recognised as distributions to equity holders in the period:		
Dividend for the year ended 31 December 2022 of £Nil per share (2021: £Nil) per share	£Nil	£Nil

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13. Tangible fixed assets

	Land and Buildings £	Plant and Machinery £	Assets in the course of construction £	Total £
Cost or valuation				
At 1 January 2022	1,554,174	12,269,699	18,275	13,842,148
Additions	-	138,201	20,452	158,653
Reclassified	-	-	-	-
Disposals	-	-	-	-
At 31 December 2022	<u>1,554,174</u>	<u>12,407,900</u>	<u>38,727</u>	<u>14,000,801</u>
Depreciation				
At 1 January 2022	581,368	10,882,821	-	11,464,189
Charge for the year	24,232	526,066	-	550,298
Disposals	-	-	-	-
At 31 December 2022	<u>605,600</u>	<u>11,408,887</u>	<u>-</u>	<u>12,014,487</u>
Net book value				
At 31 December 2022	<u>948,574</u>	<u>999,013</u>	<u>38,727</u>	<u>1,986,314</u>
At 31 December 2021	<u>972,806</u>	<u>1,386,878</u>	<u>18,275</u>	<u>2,377,959</u>

The net book value of the land not depreciated is £455,000 (2021 £455,000)

Plant and machinery includes assets under hire purchase with a net book value of £157,427 (2021 £175,768)

14. Investments held as fixed assets

	2022 £	2021 £
Investment in Kartik Steels Limited incorporated in India	<u>81</u>	<u>81</u>

The investment represents less than 0.01% of the share capital of Kartik Steels Limited. The remaining shares held by other Group companies.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

15. Stocks

	2022 £	2021 £
Raw materials and consumables	794,301	711,503
Work in progress	1,344,110	1,052,720
Finished goods and goods for resale	649,260	272,700
	<u>2,787,671</u>	<u>2,036,923</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Stocks recognised as an expense in the year were £10,254,193 (2021 £9,202,319).

16. Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	2,222,723	1,721,509
Amounts owed by group undertakings –trade	1,697,501	2,528,530
Amounts owed by group companies –loans	4,944,635	4,684,561
VAT	23,015	118,983
Other debtors	72,048	59,211
Deferred tax asset (note 20)	13,680	118,133
	<u>8,973,602</u>	<u>9,230,927</u>

Amounts owed by group companies are interest bearing and repayable on demand.

See note 17 for charges over debtors

17. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans and overdrafts	(942,128)	(1,201,464)
Hire Purchase –amounts due within one year (note 18)	(32,789)	(32,789)
Trade creditors	(1,259,674)	(2,270,934)
Amounts owed to group companies-trade	(897,617)	(1,146,332)
Amounts owed to fellow UK subsidiary for transfer of assets	(3,802,826)	(3,819,590)
Corporation tax	(247,832)	(135,767)
Other taxation and social security	(87,836)	(106,746)
Other creditors	(353,491)	(407,088)
Accruals and deferred income	(408,290)	(345,240)
	<u>(8,032,483)</u>	<u>(9,465,950)</u>

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

17. Creditors: amounts falling due within one year (continued)

The security held by Clydesdale Bank was discharged during the year and replaced by a debenture over the assets and undertakings of the company in favour of HSBC in connection with the transfer of the company's banking facilities to HSBC in 2022. Amounts secured in favour of HSBC at 31 December 2022 were £Nil (2021: £Nil). The company is also party to a funding arrangement between the Cronite Group and its bankers BNP Paribas for funding secured by the company's trade debtors. At 31 December 2022 borrowings were £942,128 (2021: £1,201,464) and £2,208,636 trade debtors (gross) had been assigned as security (2021: £1,721,509).

18. Creditors: amounts falling due after one year

	2022	2021
	£	£
Amounts due under hire purchase contracts		
Due 1-2 years	(32,789)	(32,789)
Due 2-5 years	(40,986)	(73,775)
Due after one year	(73,775)	(106,564)
Due within 1 year (note 17)	(32,789)	(32,789)
At 31 December	<u>(106,564)</u>	<u>(139,353)</u>

19. Product warranties

The company may guarantee a minimum number of cycles of use for its products and makes provision for the estimated future costs for remedial work in connection with non-conformance claims received for product defects. Where the goods have not been returned for inspection or continue in use the validity and extent of the claim may still be subject to uncertainty and thus the value and timing of future outflows.

	2022	2021
	£	£
At 1 January	(17,211)	(22,043)
Utilised	-	22,043
Charged to profit and loss account	(60,000)	(17,211)
At 31 December	<u>(77,211)</u>	<u>(17,211)</u>

20. Deferred tax asset / (liability)

	2022	2021
	£	£
At 1 January	118,133	(145,803)
Credited / charged to other comprehensive income	147,250	88,350
Credited / (charged) to profit and loss account	(251,703)	175,586
At 31 December	<u>13,680</u>	<u>118,133</u>

Deferred tax assets and liabilities have been offset as the company has a legally enforceable right to do so and the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

20. Deferred tax asset / (liability)

Deferred tax is provided as follows:

	2022 £	2021 £
Defined pension scheme timing difference	111,500	19,000
Accelerated capital allowances	(101,522)	(159,903)
Other timing differences	3,702	3,680
Losses and other deductions	-	255,356
	<u>13,680</u>	<u>118,133</u>

21. Called-up share capital and reserves

Share capital

	2022 £	2021 £
<u>Allotted, called-up and fully-paid</u>		
30,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

Reserves

The profit and loss reserve represents cumulative profits or losses, including unrealised profit or loss on the re-measurement of the defined pension scheme liability.

22. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022		2021	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	27,637	82,380	41,500	55,523
- between two and five years	11,660	217,612	39,297	58,368
	<u>39,297</u>	<u>299,992</u>	<u>80,797</u>	<u>113,891</u>

23. Employee benefits

Defined contribution schemes

The company operates two defined contribution retirement benefit schemes for all qualifying employees to meet its auto-enrolment obligation. The company contributes into either a group personal pension plan or an employee savings trust scheme. Both schemes are managed by external trustees and the assets of the schemes are held separately from those of the company in funds under the control of the trustees.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

23. Employee benefits (continued)

The total cost charged to income of £169,603 (2021: £175,243) represents contributions payable to those scheme by the company at rates specified in the rules of the schemes. As at 31 December 2022 contributions of £21,735 (2021: £22,326) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The pension scheme was established by Cronite Group plc to cover the employees of the group and all its subsidiaries. The Cronite Group Pension Fund (the Fund) provides final pay defined pension benefits for salaried employees and lump sums on retirement for waged employees. The assets of the Fund are held in separate funds administered by trustees. The Fund is closed to new participants since April 1996. After 1996 the company has made provision for its employees to become members of defined contribution schemes.

An actuarial valuation review based on the triennial valuation performed at 1 April 2021, was carried out as at 31 December 2022 by a qualified independent actuary Broadstone Pensions Limited. The major assumptions used by the actuary as at 31 December 2022 and 31 December 2021 were as follows:

	<u>Valuation at</u>	
	2022	2021
Key assumptions used:		
Discount rate	4.8%	1.9%
Future pension increases	3.0%	3.0%
Inflation	2.6%	3.2%
Average future salary increases	3.2%	4.2%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<u>Valuation at</u>	
	2021 Years	2021 Years
Retiring today:		
Males	21.9	21.9
Females	24.3	24.2
Retiring in 20 years:		
Males	22.9	22.9
Females	25.4	25.4

A Mortality Base Table of S3PXA has been used for determining future life expectancy. It is estimated that scheme liabilities would increase by around 3.2% for each additional year that life expectancy increases.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

23. Employee benefits (continued)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2022 £	2021 £
Current service cost	9,000	8,000
Expenses	39,000	-
Net interest (credit) / cost	(1,000)	(4,000)
	<u>47,000</u>	<u>4,000</u>
Recognised in the profit and loss account	47,000	4,000
Recognised in other comprehensive income	589,000	465,000
	<u>636,000</u>	<u>469,000</u>
Total cost relating to defined benefit scheme		

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2022 £	2021 £
Present value of defined benefit obligations	(7,075,000)	(10,340,000)
Fair value of scheme assets	6,629,000	10,264,000
	<u>(446,000)</u>	<u>(76,000)</u>
Net asset recognised in the balance sheet		

Movements in the present value of defined benefit obligations were as follows:

	2022 £	2021 £
At 1 January	(10,340,000)	(9,823,000)
Service cost	(9,000)	(8,000)
Interest cost	(190,000)	(135,000)
Contributions from scheme participants	(1,000)	(1,000)
Benefits paid	745,000	281,000
Actuarial/gains / (losses)	2,720,000	(654,000)
	<u>(7,075,000)</u>	<u>(10,340,000)</u>
At 31 December		

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

23. Employee benefits (continued)

Movements in the fair value of scheme assets were as follows:

	2022 £	2021 £
At 1 January	10,264,000	9,972,000
Return on plan assets	191,000	139,000
Actuarial (losses) gains	(3,309,000)	189,000
Contributions from the employer	266,000	244,000
Contributions from scheme participants	1,000	1,000
Benefits	(745,000)	(281,000)
Expenses paid	(39,000)	-
At 31 December	6,629,000	10,264,000

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2022 £	2021 £
Equity instruments	1,344,000	2,300,000
Debt instruments	3,073,000	3,877,000
LDI	1,524,000	2,412,000
Property	343,000	495,000
Cash	132,000	796,000
Other assets – alternatives	213,000	384,000
At 31 December	6,629,000	10,264,000

24. Significant events since the balance sheet date

Since the year end Cronite SA the immediate holding company has acquired ownership of the creditor of £3,802,826 owed to the former fellow UK subsidiary for the transfer of operations 2019 and waived collection allowing Cronite Castings Limited to write it back increasing reserves .

25. Related party transactions

The company has taken the exemption under FRS 102 Section 33 to not disclose transactions with other fully owned members of the Cronite Group. There were no other transactions which require disclosure.

Cronite Castings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

26. Controlling party

The company is a wholly-owned subsidiary of Cronite SA 100%, a wholly owned subsidiary of Cronite Holding SAS, the ultimate parent company. The largest and smallest group in which the results of the company are consolidated is that headed by Cronite Holding SAS which is incorporated in France. Copies of the consolidated financial statements of Cronite Holding SAS can be obtained from Route du Lude, 72230 Arnage, France.