

Registered number: 02378447

M.J. Allen Castings and Machining Ltd

Annual report and financial statements

For the year ended 30 September 2021



M.J. Allen Castings and Machining Ltd

Company Information

Directors

M J Allen
M N Allen
B N Allen
A J Walsh (appointed 1 March 2021)
C Croucher (appointed 1 September 2021)

Company secretary

C Croucher

Registered number

02378447

Registered office

Javelin House
Henwood Industrial Estate
Ashford
Kent
TN24 8DE

Independent auditor

Kreston Reeves LLP
Statutory Auditor & Chartered Accountants
Plus X Innovation Hub
Lewes Road
Brighton
East Sussex
BN2 4GL

M.J. Allen Castings and Machining Ltd

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M.J. Allen Castings and Machining Ltd

Strategic report For the year ended 30 September 2021

Introduction

The directors present their strategic report for the year ended 30 September 2021.

Business review

The profit for the year after taxation, and after taking into account a provision release for redundant stock of £22,172 (2020 - provision expense of £3,528) and a net intercompany loan write off of £2,500,000 (2020 - £1,000,000), amounted to £1,726,328 (2020 - loss of £432,700). The directors are disappointed that the company has continued to make an operating loss but accept the impact of usually difficult trading times.

The company has maintained strong relations with key customers in the military, medical, automotive, and large diesel engine market. This work is of a demanding technical standard and places the company in a strong position going forward and places it in an area of the market with reduced competition. The company has focused on UK and European markets as well as generating opportunities from other group companies. The company anticipates that demand will continue to recover during 2021/22. The directors continue to strive to reduce overheads and increase revenue and profits and will continue to monitor the performance of the company and its overall contribution to the group. The directors consider that the company will continue in its current trading activities for the foreseeable future.

Principal risks and uncertainties

The directors believe the main uncertainties faced by the company arise from the current economic climate and reduced visibility and certainty of forward order schedules and the continued impact of the Covid-19 pandemic. This also causes the directors to believe that there may be an increased risk of customers failing financially. Continuing fluctuations in foreign exchange rates also give rise to uncertainty over margins to be achieved on sales overseas and the cost of purchases from overseas suppliers. The company is also mindful of metal price escalations and seek to offset these with a surcharging mechanism. There is also an economic uncertainty from the war in Ukraine.

The directors consider the Covid-19 pandemic to be a principal risk as it has caused a global health and economic crisis affecting both individuals and businesses.

Financial key performance indicators

Turnover has decreased by 6.26% from £6,921,704 to £6,487,967.

Gross loss as a percentage of turnover has decreased from a gross loss of 10.9% to a gross loss of 2%.

M.J. Allen Castings and Machining Ltd

Strategic report (continued)

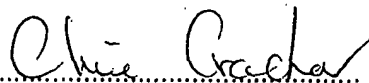
For the year ended 30 September 2021

Going concern

The company shares finance facilities with other M.J. Allen Group companies. Finance is provided to and from the parent company M.J. Allen Holdings Limited as required via an intercompany loan account. In addition to this, M.J. Allen Holdings Limited has secured additional loan facilities as more detailed in note 2.3 of the financial statements.

M.J. Allen Holdings Limited has confirmed that it will continue to provide any financial support required. Consequently, and given the company's strong net asset position at the period end, the directors have no doubt that the company is well placed to manage its business risks successfully despite the current uncertain global economic outlook. Accordingly, it remains appropriate to prepare the financial statements on a going concern basis.

This report was approved by the board and signed on its behalf.



C Croucher

Director

Date: 23.06.22

M.J. Allen Castings and Machining Ltd

Directors' report

For the year ended 30 September 2021

The directors present their report and the financial statements for the year ended 30 September 2021.

Principal activity

The principal activity of the company is that of the production of machined castings in iron, aluminium and copper alloys, and the supply of sheet metal working machining tools.

Results and dividends

The profit for the year, after taxation, amounted to £1,726,328 (2020 - loss £432,700).

The directors do not recommend payment of a dividend based on the trading result of the year.

Directors

The directors who served during the year were:

M J Allen
T J Allen (resigned 12 March 2021)
A C Gibson (resigned 31 December 2021)
M N Allen
B N Allen
A J Walsh (appointed 1 March 2021)
C Croucher (appointed 1 September 2021)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

M.J. Allen Castings and Machining Ltd

Directors' report (continued)

For the year ended 30 September 2021

Objectives and policies

The company's financial risk management policies are designed to reduce the risk of liquidity and credit risk exposure. The company's principal financial instruments comprise cash at bank, trade debtors and creditors and a balance with the parent company.

The company manages its cash flow to ensure it has sufficient funds to meet its liabilities as they fall due for payment, whilst at the same time operating within agreed bank facilities. Trade debtors are monitored on an on-going basis and at the year end there are no significant concerns of credit risk in the company.

Future developments

The company continues to seek new customers for high quality, profitable work and continues to benefit from the on-going production of machined aluminium castings for its automotive transmission product developed by a fellow Group subsidiary, Countytrac Ltd, supplied to a major vehicle manufacturer.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



C Croucher

Director

Date: 23.06.22

M.J. Allen Castings and Machining Ltd

Independent auditor's report to the members of M.J. Allen Castings and Machining Ltd

Opinion

We have audited the financial statements of M.J. Allen Castings and Machining Ltd (the 'Company') for the year ended 30 September 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions 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 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.

M.J. Allen Castings and Machining Ltd

Independent auditor's report to the members of M.J. Allen Castings and Machining Ltd (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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.

Independent auditor's report to the members of M.J. Allen Castings and Machining Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified the principal risks of non-compliance with laws and regulations. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, management bias in accounting estimates and judgemental areas of the financial statements such as stock provisions, stock valuation, bad debt and provisions. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Performing analytical procedures with automated data analytics tools to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

M.J. Allen Castings and Machining Ltd

Independent auditor's report to the members of M.J. Allen Castings and Machining Ltd (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude 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 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 Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Alison Jones FCA (Senior statutory auditor)

for and on behalf of

Kreston Reeves LLP

Statutory Auditor

Chartered Accountants

Brighton

Date: 27 June 2022

M.J. Allen Castings and Machining Ltd

**Statement of comprehensive income
For the year ended 30 September 2021**

	Note	2021 £	2020 £
Turnover	4	6,487,967	6,921,704
Cost of sales		(6,617,135)	(7,678,682)
Gross loss		(129,168)	(756,978)
Distribution costs		(309,523)	(300,786)
Administrative expenses		(659,997)	(739,138)
Other operating income	5	348,686	376,140
Operating loss	6	(750,002)	(1,420,762)
Intercompany loan written off		2,500,000	1,000,000
Interest receivable and similar income		6	-
Interest payable and expenses	7	(23,676)	(34,670)
Profit/(loss) before tax		1,726,328	(455,432)
Tax on profit/(loss)	11	-	22,732
Profit/(loss) for the financial year		1,726,328	(432,700)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020 - £NIL).

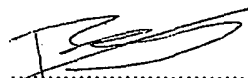
The notes on pages 12 to 24 form part of these financial statements.

M.J. Allen Castings and Machining Ltd
Registered number: 02378447


Balance sheet
As at 30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	14	6,942	7,806
Tangible assets	15	2,538,854	2,537,205
		<u>2,545,796</u>	<u>2,545,011</u>
Current assets			
Stocks	16	1,459,890	1,107,270
Debtors: amounts falling due within one year	17	1,368,039	1,448,126
Cash at bank and in hand		4,746	60,339
		<u>2,832,675</u>	<u>2,615,735</u>
Creditors: amounts falling due within one year	18	(1,967,199)	(2,804,639)
Net current assets/(liabilities)		<u>865,476</u>	<u>(188,904)</u>
Total assets less current liabilities		<u>3,411,272</u>	<u>2,356,107</u>
Creditors: amounts falling due after more than one year	19	(402,905)	(574,068)
Net assets		<u><u>3,008,367</u></u>	<u><u>1,782,039</u></u>
Capital and reserves			
Called up share capital	21	2	2
Profit and loss account	22	3,008,365	1,782,037
		<u><u>3,008,367</u></u>	<u><u>1,782,039</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23.06.22



B N Allen
 Director



C Croucher
 Director

The notes on pages 12 to 24 form part of these financial statements.

M.J. Allen Castings and Machining Ltd

**Statement of changes in equity
For the year ended 30 September 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2019 (as restated)	2	2,214,737	2,214,739
Comprehensive income for the year			
Loss for the year	-	(432,700)	(432,700)
Total comprehensive income for the year	-	(432,700)	(432,700)
At 1 October 2020	2	1,782,037	1,782,039
Comprehensive income for the year			
Profit for the year	-	1,726,328	1,726,328
Total comprehensive income for the year	-	1,726,328	1,726,328
Dividends	-	(500,000)	(500,000)
At 30 September 2021	2	3,008,365	3,008,367

M.J. Allen Castings and Machining Ltd

Notes to the financial statements For the year ended 30 September 2021

1. General information

The company is a private company, limited by share capital, and incorporated in England and Wales.

The address of its registered office and principal place of business is:

Javelin House
Henwood Industrial Estate
Ashford
Kent
TN24 8DE

The financial statements have been prepared in £ sterling, its presentational and functional currency, and amounts have been rounded to the nearest £1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of M.J. Allen Holdings Limited as at 30 September 2021 and these financial statements may be obtained from Javelin House, Henwood Industrial Estate, Ashford, Kent, TN24 8DE.

M.J. Allen Castings and Machining Ltd

Notes to the financial statements For the year ended 30 September 2021

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis.

The Company's forecasts and projections taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its facilities.

During the year and post year-end the COVID-19 pandemic has caused a global health and economic crisis affecting both individuals and businesses. Global economies have been severely disrupted by the pandemic as countries enter lockdown, with demand for most goods and services suppressed or halted. Demand for the company and the rest of the M.J. Allen Group products and services has continued throughout the pandemic, albeit at a reduced level, but they have continued to supply and support their customers. The majority of their supply chain continues to operate, with alternatives available where needed. Therefore, the company and M.J. Allen Group has every reason for confidence that it will trade through the COVID-19 crisis and will have the people, finances and capacity to benefit from any opportunities that may arise.

The company shares finance facilities with other M.J. Allen Group companies. Finance is provided to and from the parent company M.J. Allen Holdings Limited as required via an intercompany loan account. In addition to this M.J. Allen Holdings Limited has secured a refinancing arrangement with its bankers for a £2.9m commercial loan, and improved credit.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

2.4 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts and value added tax. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company 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.

2.5 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

**Notes to the financial statements
For the year ended 30 September 2021**

2. Accounting policies (continued)

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the financial statements
For the year ended 30 September 2021**

2. Accounting policies (continued)

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Trademarks	-	10	years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery including;	-	
- Plant, equipment and tools		15%
- Patterns		20-33%
Motor vehicles	-	25%
Fixtures, fittings and equipment	-	
including;		
- Furniture and fittings		15 - 20%
- Office equipment		25%
- Exhibition equipment		20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**Notes to the financial statements
For the year ended 30 September 2021**

2. Accounting policies (continued)

2.13 Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Raw materials are valued at weighted average cost, which includes all direct costs of purchase, and work in progress and finished goods are valued at standard cost, which includes all direct costs and an appropriate portion of fixed and variable overheads.

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.15 Creditors

Short term creditors are measured at the transaction price.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.17 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets. Assets acquired by hire purchase are depreciated over their useful lives. Hire purchase contracts are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**Notes to the financial statements
For the year ended 30 September 2021**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, 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.

Judgments

Valuation of stocks - Raw materials are valued at weighted average cost. The directors have chosen this method because of fluctuations in metal prices and therefore weighted average is considered to be the most accurate method.

Work in progress is valued based on costs incurred for the operations that have been completed plus a standard overhead absorption rate. The directors consider this as the most appropriate method as it recognises the costs as they are incurred for the job in progress.

Finished goods are valued based on direct costs plus a standard overhead absorption rate. The directors consider this as the most appropriate method as it recognises the actual costs as they are incurred plus the expected time and overheads incurred in producing the finished good products.

Key sources of estimation uncertainty

Bad debt provision - The company offers credit terms to its customers and is at risk to the extent that customer may be unable to pay the debt on the specified due date. The risk is mitigated by the strong on-going customer relationships. Bad debts are provided for when the company considers the debt is not recoverable and the carrying amount of the bad debt provision is £14,729 (2020 - £56,366).

Stock provisions - The company has a policy of only recognising a stock provision when the quantity of stock held has not moved in more than two years. In making this judgement the company considers that all products less than two years old can be sold for at least more than cost and are not included in the provision. Management deem this estimate to be appropriate and the carrying amount of the stock provision is £228,071 (2020 - £250,245).

M.J. Allen Castings and Machining Ltd

**Notes to the financial statements
For the year ended 30 September 2021**

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	5,775,188	5,735,896
Rest of Europe	712,779	1,185,808
	<u>6,487,967</u>	<u>6,921,704</u>

5. Other operating income

	2021 £	2020 £
Rent receivable	9,285	8,680
Government grants receivable	339,401	367,460
	<u>348,686</u>	<u>376,140</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation expense - owned	463,041	535,745
Depreciation expense - under hire purchase	181,840	181,840
Movement on stock provision	(22,172)	3,528
Auditors remuneration	13,650	12,000
(Profit)/loss on disposal of fixed assets	(524)	843
Amortisation of intangible assets, including goodwill	864	665
Exchange differences losses/(gains)	3,548	(29,664)
	<u>3,548</u>	<u>(29,664)</u>

7. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	12,605	19,707
Hire purchase contracts	11,071	14,963
	<u>23,676</u>	<u>34,670</u>

M.J. Allen Castings and Machining Ltd

Notes to the financial statements For the year ended 30 September 2021

8. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Production	85	89
Administration and support	14	13
	<u>99</u>	<u>102</u>

Staff costs, including directors' remuneration which has been recharged by the Parent company, were as follows:

Staff costs

	2021 £	2020 £
Wages and salaries	2,846,569	3,146,286
National insurance	392,826	503,698
Pension costs, defined contribution scheme	115,743	126,694
	<u>3,355,138</u>	<u>3,776,678</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments, including benefits in kind	184,374	131,883
Company contributions to defined contribution pension schemes	23,984	14,800
	<u>208,358</u>	<u>146,683</u>

During the year retirement benefits were accruing to 5 directors (2020 - 4) in respect of defined contribution pension schemes.

10. Interest receivable

	2021 £	2020 £
Other interest receivable	6	-
	<u>6</u>	<u>-</u>

M.J. Allen Castings and Machining Ltd

Notes to the financial statements For the year ended 30 September 2021

11. Taxation

	2021 £	2020 £
Corporation tax		
Adjustments in respect of previous periods	-	(22,732)
	<u>-</u>	<u>(22,732)</u>
Total current tax	<u>-</u>	<u>(22,732)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>-</u>	<u>(22,732)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - higher, than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	<u>1,726,328</u>	<u>(455,432)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<u>328,002</u>	<u>(86,532)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	355	108
Capital allowances for year in excess of depreciation	(3,947)	(52,567)
Utilisation of tax losses	-	(1,649)
Adjustments to tax charge in respect of prior periods	-	(22,732)
Short term timing difference leading to an increase/(decrease) in taxation	(9,615)	(5,527)
Non-taxable income	(475,000)	(190,000)
Unrelieved tax losses carried forward	138,634	336,167
Group relief	21,571	-
Total tax charge for the year	<u>-</u>	<u>(22,732)</u>

Factors that may affect future tax charges

Future taxable profits are expected to be reduced by carried forward losses.

M.J. Allen Castings and Machining Ltd

**Notes to the financial statements
For the year ended 30 September 2021**

12. Exceptional items

	2021 £	2020 £
Intercompany loan write off	2,500,000	1,000,000
	<u>2,500,000</u>	<u>1,000,000</u>

In 2021 £2,500,000 (2020 - £1,000,000) of the intercompany loan from M.J.Allen Holdings Limited, the parent company, has been written off.

13. Dividends

	2021 £	2020 £
Interim dividend	500,000	-
	<u>500,000</u>	<u>-</u>

14. Intangible assets

	Trademarks £
Cost	
At 1 October 2020	8,641
At 30 September 2021	<u>8,641</u>
Amortisation	
At 1 October 2020	835
Charge for the year on owned assets	864
At 30 September 2021	<u>1,699</u>
Net book value	
At 30 September 2021	<u>6,942</u>
At 30 September 2020	<u>7,806</u>

M.J. Allen Castings and Machining Ltd

**Notes to the financial statements
For the year ended 30 September 2021**

15. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost or valuation				
At 1 October 2020	6,817,382	21,880	284,709	7,123,971
Additions	577,831	3,500	23,604	604,935
Disposals	(3,381)	(7,250)	-	(10,631)
At 30 September 2021	<u>7,391,832</u>	<u>18,130</u>	<u>308,313</u>	<u>7,718,275</u>
Depreciation				
At 1 October 2020	4,368,463	21,880	196,423	4,586,766
Charge for the year on owned assets	570,687	-	31,373	602,060
Disposals	(2,155)	(7,250)	-	(9,405)
At 30 September 2021	<u>4,936,995</u>	<u>14,630</u>	<u>227,796</u>	<u>5,179,421</u>
Net book value				
At 30 September 2021	<u>2,454,837</u>	<u>3,500</u>	<u>80,517</u>	<u>2,538,854</u>
At 30 September 2020	<u>2,448,919</u>	<u>-</u>	<u>88,286</u>	<u>2,537,205</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	2020 £
Plant and machinery	<u>784,547</u>	<u>966,387</u>
	<u>784,547</u>	<u>966,387</u>

16. Stocks

	2021 £	2020 £
Raw materials and consumables	564,664	592,391
Work in progress	604,054	378,279
Finished goods and goods for resale	291,172	136,600
	<u>1,459,890</u>	<u>1,107,270</u>

M.J. Allen Castings and Machining Ltd

**Notes to the financial statements
For the year ended 30 September 2021**

17. Debtors

	2021 £	2020 £
Trade debtors	1,265,394	1,260,014
Other debtors	8,818	111,794
Prepayments	93,827	76,318
	<u>1,368,039</u>	<u>1,448,126</u>

18. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	595,452	443,842
Amounts owed to group undertakings	1,079,313	1,766,138
Obligations under finance lease and hire purchase contracts	204,010	295,862
Other creditors	51	51
Accruals and deferred income	88,373	298,746
	<u>1,967,199</u>	<u>2,804,639</u>

Amounts due to the parent company fluctuate on a day to day basis, are lent on an unsecured basis, and are repayable on demand.

19. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	402,905	574,068
	<u>402,905</u>	<u>574,068</u>

20. Hire purchase

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	204,010	295,862
Between 1-5 years	168,856	171,163
Over 5 years	234,049	402,905
	<u>606,915</u>	<u>869,930</u>

M.J. Allen Castings and Machining Ltd

Notes to the financial statements For the year ended 30 September 2021

21. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
2 (2020 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

22. Reserves

Profit and loss account

Includes all current and prior period profit and losses net of dividends paid.

23. Contingent liabilities

The company is party to an unlimited cross-guarantee, dated 21 March 2014, with the bank in respect of M.J. Allen Holdings Limited and each of its subsidiary companies. Fixed and floating charges are secured on all the assets of the company dated March 2014, together with secured charges on the Freehold Property owned by the parent company dated April and May 2014. The aggregate of bank overdrafts and finance facilities in the other group companies at the balance sheet date amounted to £5,517,911 (2020 - £4,011,564).

24. Pension commitments

The company is a member of the M.J. Allen Group stakeholder pension scheme and a Small Self-Administered Scheme (SSAS). The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £115,743 (2020 - £126,694)

Contributions totalling £51 (2020 - £51) were payable to the scheme at the end of the year and are included in creditors.

25. Related party transactions

The company has taken advantage of the exemption in FRS 102 Section 33.7 from disclosing remuneration of its key management personnel who are considered to be the directors the company.

The company has taken advantage of the exemption in FRS 102 Section 33.1A from disclosing transactions with other wholly owned members of the group.

26. Controlling party

The company's immediate parent is M.J. Allen Holdings Limited which owns 100% of the issued share capital. Ultimate control of this company is held by M J Allen, one of the directors of the company.