

CASTALUM LIMITED

Company Registration No. 06771963 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CASTALUM LIMITED

COMPANY INFORMATION

Directors

Mr P Ligertwood
Mr P Radcliffe
Mr M S Simpson
Mrs H J S Smith
Mr N E Smith
Mr P J Dodd
Mr K F Meredith

Company number

06771963

Registered office

5 Buttington Cross Enterprise Park
Buttington
Welshpool
Powys
SY21 8SL

Auditor

Dyke Yaxley Limited
1 Brassey Road
Old Potts Way
Shrewsbury
Shropshire
SY3 7FA

CASTALUM LIMITED

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CASTALUM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The end of 2018 saw Castalum preparing for an unusual time as for the next two years it was known that we would be operating with a significantly reduced turnover. However as orders have been secured for platforms that launch towards the end of 2020 we considered it important to keep as many of skills in house as preparedness for the future.

The effect of this strategy was a forecast loss in 2019, however with improved efficiency and better cost control systems the year finished with the business achieving a profit.

There was a small reduction in manpower through natural wastage and this has been managed comfortably by existing staff. All staff received an annual pay increment at a rate in advance of inflation

We continue to eliminate risk from the business and will continue to do so moving forwards. We have ongoing contracts in place to protect us from large currency movements and we have gas and electricity prices fixed until December 2020.

We maintained our ISO14000 & IATF16949 quality accreditation for the year with successful audits and they assure our operating procedures conform with all necessary industry requirements.

Since the year end the company closed for eight weeks during the COVID-19 pandemic and put everybody on furlough. Customers also closed their plants and reduced their call off's for an eight week period. The company will significantly reduce outgoings over this period. The company will have reduced turnover for 2020 of at least £2 million but it will not affect its ability to continue as a going concern.

CASTALUM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Financial Risk Management

The financial resources of the company are closely monitored and managed by the operating directors. The policies set by the board of directors are implemented by the company's finance department. The department has policies that set out specific guidelines to manage credit and exchange risk and circumstances where it would be appropriate to use financial instruments to manage these. The company continues its association with HSBC, it is this relationship that enables Castalum Limited to make the best use of its financial resources including the planning of forward currency contracts which enables the company to reduce possible downside risks associated with dealing with foreign currencies. The company maintains policies and guidelines to manage cash flow to the best advantage. No bad debts are apparent or likely.

Price Risk

The principal price risk on aluminium has not had an adverse effect on the company. This is due to the fact that the price has only moved slowly allowing the company to pass on these movements to the customer, just after the price agreement period has started. The company has also, where possible, entered into fixed price supply contracts with metal suppliers to ensure that the company is not caught out by any swift upward movements in the price.

Warranty Return Risk

The company has insurance against the cost of warranty return by Getrag and Thyssen Krupp Power Steering (the latter only in the case of the BMW project).

Interest Rate Risk

The company has several loans that are linked to the Bank of England base rate, therefore the company has some exposure should the Bank of England raise its base rate.

Credit Risk

The company has credit insurance on all its customers.

Forward Exchange Risk

As with anyone trading in foreign currency there is an element of risk however the company has in place an array of forward contracts to help mitigate this risk.

Key performance indicators

The following key performance indicators are used by the directors in measuring the performance of the business:

KPIs	2019	2018	Definition, Method of Calculation and Analysis
Sales - Volumes ('000s)	1,390	2,007	Total number of parts sold
Sales (£'000s)	20,101	29,918	Sales value in GBP (all markets)
Gross margin (%)	12	12	Ratio of gross profit to sales expressed as a percentage
Operating profit (£'000s)	283	322	Profit before interest and tax

CASTALUM LIMITED

STRATEGIC REPORT (CONTINUED)

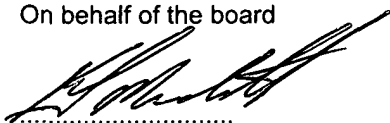
FOR THE YEAR ENDED 31 DECEMBER 2019

Future prospects

We are seeing an increasing number of requests for quotations on new platforms with both traditional and electric drivetrains. This gives us a confidence that our product remains viable into the next generation of vehicles and 'lightweighting' considerations for manufacturers make us an essential commodity.

We continue to expand our knowledge and abilities with additive materials, the plan for 2020 is to bring equipment on site to start the first centre for advanced manufacturing with additive materials in the area.

On behalf of the board



.....
Mr K F Meredith

Director

30th SEPT 2020

.....

CASTALUM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of Aluminium diecasting and machining.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr K Brown	(Resigned 31 March 2019)
Mr P Ligertwood	
Mr P Radcliffe	
Mr M S Simpson	
Mrs H J S Smith	
Mr N E Smith	
Mr P J Dodd	
Mr K F Meredith	

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £12,096,159. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

Since the year end the company closed for eight weeks during the COVID-19 pandemic and put everybody on furlough. Customers also closed their plants and reduced their call off's for an eight week period. The company will significantly reduce outgoings over this period. The company will have reduced turnover for 2020 of at least £2 million but it will not affect its ability to continue as a going concern.

Auditor

The auditor, Dyke Yaxley Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Disclosure in the Strategic Report

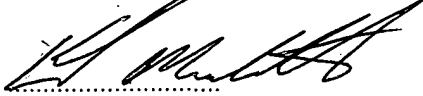
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of review of business, principal risks and uncertainties and future developments.

CASTALUM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board



Mr K F Meredith
Director

Date: 30th SEPT 2020

CASTALUM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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;
- 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.

CASTALUM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CASTALUM LIMITED

Opinion

We have audited the financial statements of Castalum Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the 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 2019 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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

CASTALUM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF CASTALUM LIMITED

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 and the directors' report.

We have nothing to report in respect of the following matters where 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements


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

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

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Andrew Young (Senior Statutory Auditor)
for and on behalf of Dyke Yaxley Limited


..... 2 OCTOBER 2020

Chartered Accountants
Statutory Auditor

1 Brassey Road
Old Potts Way
Shrewsbury
Shropshire
SY3 7FA

CASTALUM LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	20,100,716	29,918,101
Cost of sales		(17,548,189)	(26,255,260)
Gross profit		<u>2,552,527</u>	<u>3,662,841</u>
Distribution costs		(540,350)	(863,910)
Administrative expenses		(1,797,699)	(2,529,634)
Other operating income		68,627	52,332
Operating profit	4	<u>283,105</u>	<u>321,629</u>
Interest receivable and similar income	8	170	230
Interest payable and similar expenses	9	(63,473)	(131,699)
Profit before taxation		<u>219,802</u>	<u>190,160</u>
Taxation	10	78,055	106,933
Profit for the financial year		<u>297,857</u>	<u>297,093</u>
Other comprehensive income			
Cash flow hedges gain/(loss) arising in the year		779,864	(63,800)
Cash flow hedges gain reclassified to profit or loss		6,652	850,691
Tax relating to other comprehensive income		(143,611)	(129,164)
Total comprehensive income for the year		<u><u>940,762</u></u>	<u><u>954,820</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

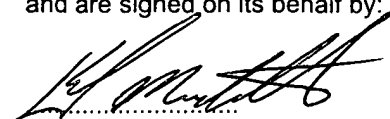
CASTALUM LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	12		8,152,180		9,867,372
Current assets					
Stocks	14	1,335,630		2,189,495	
Debtors	15	3,986,099		12,287,547	
Cash at bank and in hand		1,679,960		313,854	
			7,001,689		14,790,896
Creditors: amounts falling due within one year	16	(10,743,913)		(8,334,841)	
Net current (liabilities)/assets			(3,742,224)		6,456,055
Total assets less current liabilities			4,409,956		16,323,427
Creditors: amounts falling due after more than one year	17		(783,463)		(1,567,288)
Provisions for liabilities	20		(643,737)		(617,986)
Net assets			2,982,756		14,138,153
Capital and reserves					
Called up share capital	24		100,000		100,000
Hedging reserve	25		407,590		(235,315)
Profit and loss reserves	25		2,475,166		14,273,468
Total equity			2,982,756		14,138,153

The financial statements were approved by the board of directors and authorised for issue on 30th SEPT 2020 and are signed on its behalf by:



Mr K F Meredith
Director

Company Registration No. 06771963

CASTALUM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Hedging reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		100,000	(893,042)	13,976,375	13,183,333
Year ended 31 December 2018:					
Profit for the year		-	-	297,093	297,093
Other comprehensive income:					
Cash flow hedges losses		-	(63,800)	-	(63,800)
Cash flow hedges gains reclassified to profit or loss		-	850,691	-	850,691
Tax relating to other comprehensive income		-	(129,164)	-	(129,164)
Total comprehensive income for the year		-	657,727	297,093	954,820
Balance at 31 December 2018		100,000	(235,315)	14,273,468	14,138,153
Year ended 31 December 2019:					
Profit for the year		-	-	297,857	297,857
Other comprehensive income:					
Cash flow hedges losses		-	779,864	-	779,864
Cash flow hedges gains reclassified to profit or loss		-	6,652	-	6,652
Tax relating to other comprehensive income		-	(143,611)	-	(143,611)
Total comprehensive income for the year		-	642,905	297,857	940,762
Dividends	11	-	-	(12,096,159)	(12,096,159)
Balance at 31 December 2019		100,000	407,590	2,475,166	2,982,756

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Castalum Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5 Buttington Cross Enterprise Park, Buttington, Welshpool, Powys, SY21 8SL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Going concern

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

Since the year end the company closed for eight weeks during the COVID-19 pandemic and put everybody on furlough. Customers also closed their plants and reduced their call off's for an eight week period. The company will significantly reduce outgoings over this period. The company will have reduced turnover for 2020 of at least £2 million but it will not affect its ability to continue as a going concern.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

S/Term Leasehold property	20 years
Plant and machinery	4 to 12 years
Office equipment	3 to 10 years
Motor vehicles	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Hedge accounting

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as of the income statement as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
All turnover is derived from the principal activity undertaken	20,100,716	29,918,101
	2019 £	2018 £
Other significant revenue		
Interest income	170	230
Grants received	52,332	52,332
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	3,303,737	6,341,254
Rest of Europe	14,365,653	15,333,343
Rest of world	2,431,326	8,243,504
	20,100,716	29,918,101

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	69,008	591,503
Government grants	(52,332)	(52,332)
Depreciation of owned tangible fixed assets	1,521,071	1,244,328
Depreciation of tangible fixed assets held under finance leases	314,363	583,094
Cost of stocks recognised as an expense	7,783,296	12,051,397
Operating lease charges	-	80,850

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	20,025	20,475

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Directors	7	8
Staff	129	176
Total	136	184

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,395,789	5,518,565
Social security costs	442,496	533,148
Pension costs	183,637	206,960
	5,021,922	6,258,673

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	586,425	560,215
Company pension contributions to defined contribution schemes	41,918	60,683
	628,343	620,898

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	126,868	132,000
Company pension contributions to defined contribution schemes	12,374	-

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Other interest income	170	230
	<u>170</u>	<u>230</u>

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	2,979	4,825
Other interest on financial liabilities	12,443	43,325
Interest on finance leases and hire purchase contracts	48,051	83,549
	<u>63,473</u>	<u>131,699</u>

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	39,229	16,077
Adjustments in respect of prior periods	576	(66,215)
	<u>39,805</u>	<u>(50,138)</u>
Deferred tax		
Origination and reversal of timing differences	(117,860)	(56,795)
	<u>(117,860)</u>	<u>(56,795)</u>
Total tax credit	<u>(78,055)</u>	<u>(106,933)</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	219,802	190,160
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	41,762	36,130
Tax effect of expenses that are not deductible in determining taxable profit	618	139
Group relief	(36,877)	(36,363)
Permanent capital allowances in excess of depreciation	120,472	62,609
Research and development tax credit	(87,695)	(48,089)
Under/(over) provided in prior years	576	(66,215)
Deferred tax - origination and reversal of temporary differences	(117,860)	(56,795)
Movement in provisions	949	1,651
Taxation credit for the year	(78,055)	(106,933)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	143,611	129,164

11 Dividends

	2019 £	2018 £
Interim paid	12,096,159	-

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Tangible fixed assets

	S/Term Leasehold property	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2019	1,045,093	22,111,769	186,573	28,441	23,371,876
Additions	-	120,776	16,318	-	137,094
Disposals	-	(16,852)	-	-	(16,852)
At 31 December 2019	1,045,093	22,215,693	202,891	28,441	23,492,118
Depreciation and impairment					
At 1 January 2019	306,814	12,994,413	174,836	28,441	13,504,504
Depreciation charged in the year	54,612	1,775,743	5,079	-	1,835,434
At 31 December 2019	361,426	14,770,156	179,915	28,441	15,339,938
Carrying amount					
At 31 December 2019	683,667	7,445,537	22,976	-	8,152,180
At 31 December 2018	738,279	9,117,356	11,737	-	9,867,372

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and machinery	2,186,560	4,344,837

13 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	513,513	-
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	-	242,330

Financial assets measured at fair value through other comprehensive income comprise forward foreign currency contracts which are derivative financial instruments designed as hedges of variable exchange rate risk.

At the year end, the company had entered into agreements for the forward selling of Euros with a maximum contracted value of €12m (2018: €10m).

Hedging arrangements

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Financial instruments

(Continued)

The amount reclassified from equity to profit or loss in the year relating to cash flow hedges was £16,295 (2018 - £-).

14 Stocks

	2019 £	2018 £
Raw materials and consumables	288,722	380,809
Work in progress	1,046,908	1,808,686
	<u>1,335,630</u>	<u>2,189,495</u>

15 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	2,753,119	3,374,561
Corporation tax recoverable	28,093	27,923
Amounts owed by group undertakings	175,109	8,636,347
Derivative financial instruments	513,513	-
Other debtors	516,265	248,716
	<u>3,986,099</u>	<u>12,287,547</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases	19	737,509	938,533
Other borrowings	18	-	33,333
Trade creditors		3,013,244	3,585,776
Amounts owed to group undertakings		3,608,835	-
Corporation tax		39,805	-
Other taxation and social security		142,083	136,696
Derivative financial instruments		-	242,330
Government grants	22	43,999	50,014
Other creditors		2,493,325	2,097,284
Accruals and deferred income		665,113	1,250,875
		<u>10,743,913</u>	<u>8,334,841</u>

Net obligations under finance leases and hire purchase contracts are secured against the assets to which the leases relate.

Included in other creditors is an amount of £nil (2018: £1,801,981) relating to an invoice discounting facility which is secured by a debenture over trade receivables.

All debts to HSBC Bank are subject to a fixed and floating charge over all assets of the company.

HSBC Bank holds a group set-off between the company, Manx Welshpool Holdings Limited and AHW Industries Limited.

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	19	594,935	1,332,444
Government grants	22	188,528	234,844
		<u>783,463</u>	<u>1,567,288</u>

18 Loans and overdrafts

	2019 £	2018 £
Other loans	-	33,333
	<u>-</u>	<u>33,333</u>
Payable within one year	-	33,333
	<u>-</u>	<u>33,333</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	737,509	938,533
In two to five years	594,935	1,332,444
	<u>1,332,444</u>	<u>2,270,977</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	21	<u>643,737</u>	<u>617,986</u>

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	546,169	664,029
Deferred tax on forward contracts	97,568	(46,043)
	<u>643,737</u>	<u>617,986</u>
Movements in the year:		2019 £
Liability at 1 January 2019		617,986
Credit to profit or loss		(117,860)
Charge to other comprehensive income		143,611
Liability at 31 December 2019		<u>643,737</u>

The deferred tax liability set out above relates to accelerated capital allowances that are expected to mature within the same period.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

22 Government grants

Deferred income is included in the financial statements as follows:

	2019 £	2018 £
Current liabilities	43,999	50,014
Non-current liabilities	188,528	234,844
	<u>232,527</u>	<u>284,858</u>

The Government grant received during the year related to plant & machinery purchased during the year by the company. This is being amortised in accordance with the depreciation policy for plant & machinery.

23 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>183,637</u>	<u>206,960</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £36,732 (2018: £31,765) were payable to the scheme at the year end and are included in creditors.

24 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

The Ordinary Shares carry full rights in the Company with respect to voting, dividends and capital distributions.

25 Reserves

Cash flow hedge reserve

Includes movements in fair value on derivative instruments identified as designated and effective hedges. This is a non-distributive reserve impacting other comprehensive income.

Profit and loss reserves

Includes all current and prior period retained profits and losses.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	7,355	2,654
Between two and five years	9,194	-
	<u>16,549</u>	<u>2,654</u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £	2018 £
Acquisition of tangible fixed assets	<u>21,240</u>	<u>-</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption in section 33.1A of Financial Reporting Standard 102 from the requirement to disclose transactions with wholly owned members of the group.

The company has taken advantage of the exemption under Financial Reporting Standard 102 section 1.12 Reduced Disclosure For Subsidiaries from disclosing key management compensation in total.

At the year end the following amounts were outstanding to a director of the company:

Mr P Ligertwood £2,300,406 (2018: £nil).

There are no fixed repayment terms for this loan.

29 Ultimate controlling party

The ultimate parent company is Manx Welshpool Holdings Limited, a company incorporated in England & Wales.

The ultimate controlling party is P Ligertwood by virtue of his 100% holding of the issued share capital of Manx Welshpool Holdings Limited.

The parent undertaking of the largest and smallest group for which group accounts are prepared for the year ended 31 December 2019 is Manx Welshpool Holdings Limited. Copies of the group financial statements can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

30 Auditor's liability limitation agreement

In accordance with Companies Act 2006 (s538), we are required to disclose any auditor liability limitation agreements in effect.

A resolution was passed dated 10 December 2019 which limits the liability of the auditor to £5m for any loss or damage suffered by Castalum Limited arising out of or in connection with the provision of services provided by the auditor including negligence but not wilful default.