

CASTALUM LIMITED

Company Registration No. 06771963 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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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
Mr M L Jones

(Appointed 1 January 2021)

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 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The business had prepared for 2020 with improved efficiencies, monitored budgets and reduced headcount all aligned with a forecast lower turnover. The reality of 2020 was much harsher for business than anticipated with the pandemic affecting business greatly and reducing expected turnover. Despite this the company reacted quickly to the enforced changes and modified procedures to allow a return to production at earliest opportunity. It was able to utilise the government job retention scheme effectively to preserve jobs and tailor production output to match demand from customers. This resulted in an operating loss for the year that was a slight improvement on budgeted expectation.

There were a small number of job losses mainly in the machining area as the contracts for specific machined parts came to an end.

Significant new business was won in the year which will have a dramatic effect on the turnover from 2022 to 2026. The new contracts are for components mostly destined for the electric vehicle market.

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.

This year we started up our own facility for manufacturing with additive materials on site enabling us to utilise our expertise in conformal cooling. These new 3D printed products will be used as inserts in die cast tooling to replace tradition tool steel inserts with their associated characteristics.

Since the year end significant new investment has been injected to align with the additional contracts signed at the end of 2020. A new die casting cell and associated equipment will be installed in 2022.

CASTALUM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Price risk on Aluminium has been managed through this turbulent period by continuing excellent business relationships with long term suppliers. Raw material adjustment mechanisms built into customer contracts allow Castalum to maintain this as a managed risk not endangering the business. Energy contracts continue to be fixed ahead to ensure operation within budget forecasts.

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.

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	2020	2019	Definition, Method of Calculation and Analysis
Sales - Volumes ('000s)	973	1,390	Total number of parts sold
Sales (£'000s)	11,747	20,101	Sales value in GBP (all markets)
Gross margin (%)	2	12	Ratio of gross profit to sales expressed as a percentage
Operating (loss)/profit (£'000s)	(233)	283	Profit before interest and tax

Future prospects

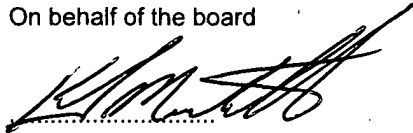
The final quarter of this year has seen a significant increase in requests for quotation from a wide range of automotive companies. We are modifying our strategy moving forward as most new work quoted will now require capital investment as existing capacity will be filled from 2022 onwards.

CASTALUM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board



Mr K F Meredith

Director

20th SEPT 2021

CASTALUM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 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

Mr M L Jones

(Appointed 1 January 2021)

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. 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 2021 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

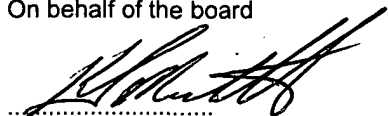
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect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

CASTALUM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board



Mr K F Meredith

Director

Date: 20th SEPT 2021

CASTALUM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

CASTALUM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF CASTALUM LIMITED

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 misstatement misstatements in respect of irregularities, including fraud.

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud.

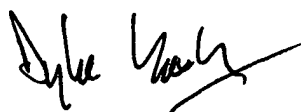
As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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



12 SEPTEMBER 2021

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 2020

	Notes	2020 £	2019 £
Turnover	3	11,746,507	20,100,716
Cost of sales		(11,484,071)	(17,548,189)
Gross profit		262,436	2,552,527
Distribution costs		(365,653)	(540,350)
Administrative expenses		(1,400,225)	(1,797,699)
Other operating income		1,270,723	68,627
Operating (loss)/profit	4	(232,719)	283,105
Interest receivable and similar income	8	217	170
Interest payable and similar expenses	9	(30,159)	(63,473)
(Loss)/profit before taxation		(262,661)	219,802
Tax on (loss)/profit	10	80,388	78,055
(Loss)/profit for the financial year		(182,273)	297,857
Other comprehensive income			
Cash flow hedges (loss)/gain arising in the year		(1,061,574)	779,864
Cash flow hedges (loss)/gain reclassified to profit or loss		(80,230)	6,652
Tax relating to other comprehensive income		(34,379)	(143,611)
Total comprehensive income for the year		(1,358,456)	940,762

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 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	12		6,597,442		8,152,180
Current assets					
Stocks	14	1,701,664		1,335,630	
Debtors	15	3,833,640		3,986,099	
Cash at bank and in hand		1,184,566		1,679,960	
		<u>6,719,870</u>		<u>7,001,689</u>	
Creditors: amounts falling due within one year	16	<u>(10,955,313)</u>		<u>(10,743,913)</u>	
Net current liabilities			<u>(4,235,443)</u>		<u>(3,742,224)</u>
Total assets less current liabilities			<u>2,361,999</u>		<u>4,409,956</u>
Creditors: amounts falling due after more than one year	17		(183,229)		(783,463)
Provisions for liabilities	19		(554,470)		(643,737)
Net assets			<u>1,624,300</u>		<u>2,982,756</u>
Capital and reserves					
Called up share capital	23		100,000		100,000
Hedging reserve	24		(768,593)		407,590
Profit and loss reserves	24		2,292,893		2,475,166
Total equity			<u>1,624,300</u>		<u>2,982,756</u>

The financial statements were approved by the board of directors and authorised for issue on 20th Sept 2021 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 2020

	Notes	Share capital £	Hedging reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2019		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 gains		-	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
Year ended 31 December 2020:					
Loss for the year		-	-	(182,273)	(182,273)
Other comprehensive income:					
Cash flow hedges gains		-	(1,061,574)	-	(1,061,574)
Cash flow hedges gains reclassified to profit or loss		-	(80,230)	-	(80,230)
Tax relating to other comprehensive income		-	(34,379)	-	(34,379)
Total comprehensive income for the year		-	(1,176,183)	(182,273)	(1,358,456)
Balance at 31 December 2020		100,000	(768,593)	2,292,893	1,624,300

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- 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 2021 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.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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 and cash equivalents

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.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

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.

1.11 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.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.12 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.

1.13 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.

1.14 Retirement benefits

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

1.15 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.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.16 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.

1.17 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.

3 Turnover and other revenue

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

	2020	2019
	£	£
Turnover analysed by class of business		
All turnover is derived from the principal activity undertaken	11,746,507	20,100,716
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	217	170
Grants received	1,320,595	52,332
	<u> </u>	<u> </u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue (Continued)

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	2,243,058	3,303,737
Rest of Europe	8,728,068	14,365,653
Rest of world	775,381	2,431,326
	<u>11,746,507</u>	<u>20,100,716</u>

4 Operating (loss)/profit

	2020 £	2019 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(120,520)	69,008
Government grants	(1,320,595)	(52,332)
Depreciation of owned tangible fixed assets	1,253,954	1,521,071
Depreciation of tangible fixed assets held under finance leases	394,162	314,363
Profit on disposal of tangible fixed assets	(1,100)	-
	<u></u>	<u></u>

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	19,500	20,025
	<u></u>	<u></u>

6 Employees

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

	2020 Number	2019 Number
Directors	6	7
Staff	120	129
	<u></u>	<u></u>
Total	126	136
	<u></u>	<u></u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	3,790,835	4,395,789
Social security costs	370,345	442,496
Pension costs	158,113	183,637
	<u>4,319,293</u>	<u>5,021,922</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	508,528	586,425
Company pension contributions to defined contribution schemes	30,112	41,918
	<u>538,640</u>	<u>628,343</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

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

	2020 £	2019 £
Remuneration for qualifying services	119,389	126,868
Company pension contributions to defined contribution schemes	11,718	12,374
	<u>131,107</u>	<u>139,242</u>

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	217	170
	<u>217</u>	<u>170</u>

9 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	-	2,979
Other interest on financial liabilities	-	12,443
Interest on finance leases and hire purchase contracts	30,159	48,051
	<u>30,159</u>	<u>63,473</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	44,235	39,229
Adjustments in respect of prior periods	(977)	576
Total current tax	<u>43,258</u>	<u>39,805</u>
Deferred tax		
Origination and reversal of timing differences	<u>(123,646)</u>	<u>(117,860)</u>
Total tax credit	<u>(80,388)</u>	<u>(78,055)</u>

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

	2020 £	2019 £
(Loss)/profit before taxation	<u>(262,661)</u>	<u>219,802</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(49,906)	41,762
Tax effect of expenses that are not deductible in determining taxable profit	3	618
Group relief	(36,685)	(36,877)
Permanent capital allowances in excess of depreciation	130,814	120,472
Research and development tax credit	-	(87,695)
Under/(over) provided in prior years	(977)	576
Deferred tax - origination and reversal of temporary differences	(123,646)	(117,860)
Movement in provisions	9	949
Taxation credit for the year	<u>(80,388)</u>	<u>(78,055)</u>

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:

	2020 £	2019 £
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	<u>34,379</u>	<u>143,611</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Dividends

	2020 £	2019 £
Interim paid	-	12,096,159

12 Tangible fixed assets

	S/Term Leasehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	1,045,093	22,215,693	202,891	28,441	23,492,118
Additions	-	80,968	12,410	-	93,378
Disposals	-	(2,653)	-	(28,441)	(31,094)
At 31 December 2020	1,045,093	22,294,008	215,301	-	23,554,402
Depreciation and impairment					
At 1 January 2020	361,426	14,770,156	179,915	28,441	15,339,938
Depreciation charged in the year	50,417	1,590,927	6,772	-	1,648,116
Eliminated in respect of disposals	-	(2,653)	-	(28,441)	(31,094)
At 31 December 2020	411,843	16,358,430	186,687	-	16,956,960
Carrying amount					
At 31 December 2020	633,250	5,935,578	28,614	-	6,597,442
At 31 December 2019	683,667	7,445,537	22,976	-	8,152,180

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

	2020 £	2019 £
Plant and machinery	1,920,834	2,186,560

13 Financial instruments

	2020 £	2019 £
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	694,459	-

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Financial instruments

(Continued)

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 €15.6m (2019: €12m).

Hedging arrangements

The amount reclassified from equity to profit or loss in the year relating to cash flow hedges was £49,872 (2019 - £16,295).

14 Stocks

	2020 £	2019 £
Raw materials and consumables	590,729	288,722
Work in progress	1,110,935	1,046,908
	<u>1,701,664</u>	<u>1,335,630</u>

15 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,957,281	2,753,119
Corporation tax recoverable	9,081	28,093
Amounts owed by group undertakings	368,093	175,109
Derivative financial instruments	-	513,513
Other debtors	341,136	322,016
Prepayments and accrued income	158,049	194,249
	<u>3,833,640</u>	<u>3,986,099</u>

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Obligations under finance leases	18	825,894	737,509
Trade creditors		1,834,052	3,013,244
Amounts owed to group undertakings		3,608,835	3,608,835
Corporation tax		44,235	39,805
Other taxation and social security		147,805	142,083
Derivative financial instruments		694,459	-
Government grants	21	27,332	43,999
Other creditors		3,171,384	2,493,325
Accruals and deferred income		601,317	665,113
		<u>10,955,313</u>	<u>10,743,913</u>

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

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

17 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	18	22,033	594,935
Government grants	21	161,196	188,528
		<u>183,229</u>	<u>783,463</u>

18 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	825,894	737,509
In two to five years	22,033	594,935
	<u>847,927</u>	<u>1,332,444</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. Interest is calculated using the sum of digits method.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

19 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	20	554,470	643,737

20 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 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	422,523	546,169
Deferred tax on forward contracts	131,947	97,568
	<u>554,470</u>	<u>643,737</u>
Movements in the year:		2020 £
Liability at 1 January 2020		643,737
Credit to profit or loss		(89,267)
Liability at 31 December 2020		<u>554,470</u>

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

21 Deferred grants

	2020 £	2019 £
Arising from government grants	188,528	232,527
Deferred income is included in the financial statements as follows:		
Current liabilities	27,332	43,999
Non-current liabilities	161,196	188,528
	<u>188,528</u>	<u>232,527</u>

Government grants received relate to plant & machinery purchased by the company. This is being amortised in accordance with the depreciation policy for plant & machinery.

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	158,113	183,637

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 £38,011 (2019: £36,732) were payable to the scheme at the year end and are included in creditors.

23 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

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

24 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.

25 Operating lease commitments

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:

	2020 £	2019 £
Within one year	7,355	7,355
Between two and five years	1,839	9,194
	9,194	16,549

CASTALUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of tangible fixed assets	20,350	21,240

27 Related party transactions

Transactions with related parties

During the year the company entered into the following 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 £2,419,197 (2019: £2,300,406).

There are no fixed repayment terms for this loan.

28 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 2020 is Manx Welshpool Holdings Limited. Copies of the group financial statements can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

29 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 12 March 2021 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.