

# chamberlin plc

## ANNUAL REPORT AND ACCOUNTS

for the period ended 31 May 2021

TICKER : CMH



# PROUD HERITAGE



# EXCITING FUTURE





# DIFFICULT THINGS DONE WELL

**Success in UK engineering has not been easy to achieve in recent years, but its requirements can be simply stated; winners must do difficult things and must do them well.**

We define "difficult things" as activities with high engineering content delivering technically demanding products or processes. To take profitable advantage of them, it is essential that a business is properly managed and performs well.

“

This period in Chamberlin's history has been severely impacted by two significant events. However, Chamberlin have emerged from these difficulties with a renewed focus on diversification away from the automotive sector and a new strategy to develop our own products for markets that have strong growth characteristics”

**Chairman, Keith Butler-Wheelhouse**

## Investment Proposition

- Operating in markets with high barriers to entry protected by process know-how or market regulation
- Operating across diversified markets with sales driven by the global engineering economy
- Huge opportunity to benefit from new E-commerce products in the growing global market-place for fitness equipment and cookware
- In-house design and engineering capabilities to rapidly develop high-quality, bespoke precision products for sale direct to the consumer and businesses
- A focused Board of Directors determined to position the Group for growth and to deliver shareholder value over the medium term
- Authentic UK manufacturer with a reputation for quality products developed over more than 130 years of engineering excellence



Petrel, our hazardous area lighting business, designed a cost and energy efficient solution for one of the UK's largest steel manufacturers.



Chamberlin's Iron Foundry Weights (IFW) brand of fitness equipment is hand-made to the highest quality standards using our UK manufacturing expertise

## Key Points

### Financial

- Revenue of £26.4m for 14 months to 31 May 2021 (Year to 31 March 2020: £26.1m) was 14% lower than prior year on a pro rata basis reflecting COVID-19 related headwinds in the first half and the impact of the cancellation of contracts in the second half by BorgWarner Turbo Systems Worldwide
- Underlying operating loss of £2.9m (Year to 31 March 2020: £1.1m loss), reflecting COVID-19 induced shutdowns, a slow recovery in activity levels across the automotive sector and the impact of the cancellation of the BorgWarner contracts
- Underlying loss before taxation of £3.2m (Year to 31 March 2020: £1.4m)
- Non-underlying costs of £7.2m include significant non-cash impairments associated with the cancellation of the BorgWarner contracts of £4.7m, restructuring costs of £1.3m, adviser costs of £0.5m and property dilapidation costs of £0.7m
- Statutory loss before tax of £10.4m (Year to 31 March 2020: £2.3m)
- Underlying diluted loss per share of 13.7p (Year to 31 March 2020: 18.7p)
- Total diluted loss per share of 55.1p (Year to 31 March 2020: 30.1p)
- Net debt reduced to £1.8m (31 March 2020: £4.6m) following £3.5m equity raise in March 2021

### Operational

- Foundry revenues fell by 13% on a pro rata basis to £23.3m (Year to 31 March 2020: £23.1m) reflecting the difficulties noted above regarding COVID-19 and BorgWarner at Chamberlin & Hill Castings partially offset by an 18% increase at Russell Ductile Castings
- Foundry operating loss of £1.9m (Year to 31 March 2020: £0.1m) driven by the issues at Chamberlin & Hill Castings partially offset by a return to profitability at Russell Ductile Castings
- Engineering revenues of £3.1m decreased by 12% on a pro rata basis (Year to 31 March 2020: £3.0m), primarily due to COVID-19 induced customer shutdowns in the first half. Operating performance was strong, with an operating profit for the 14 months of £0.2m (Year to 31 March 2020: break-even) which was largely generated in the second half

### REVENUE

**£26.4m**



### STATUTORY LOSS BEFORE TAX

**(£10.4m)**



### UNDERLYING LOSS BEFORE TAX

**(£3.2m)**



### TOTAL LOSS/ EARNINGS PER SHARE

**(55.1p)**



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Underlying figures are stated before non-underlying costs (restructuring costs, hedge ineffectiveness, impairment, GMP equalisation, onerous leases and share based payment costs) together with the associated tax impact.

# CHAIRMAN'S STATEMENT



**KEITH BUTLER-WHEELHOUSE**  
CHAIRMAN



This period in Chamberlin's history has been severely impacted by two significant events, firstly by an unprecedented global COVID-19 pandemic, and secondly the early cancellation of all contracts with our principal automotive customer (BorgWarner Turbo Systems Worldwide). However, Chamberlin have emerged from these difficulties with a renewed focus on diversification away from the automotive sector and a new strategy to develop our own products for markets that have strong growth characteristics. //

This period in Chamberlin's history has been severely impacted by two significant events, firstly by an unprecedented global phenomenon in COVID-19, and secondly the early cancellation of all our contracts with our principal automotive customer, BorgWarner Turbo Systems Worldwide (BorgWarner). As a result of these damaging events, the financial performance and strength of the Group suffered considerably, with the Group loss before tax for the 14 month period to 31 May 2021 amounting to £10.4m, of which £6.5m related to charges arising from the loss of the BorgWarner contracts.

In order to stabilise the Group's financial position, we completed a share placing and subscription in March 2021 raising £3.5m. The equity raised enabled the Group to facilitate the necessary reduction in headcount to realign the cost base to the lower level of revenue post the decision by BorgWarner and to provide sufficient working capital to stabilise the business. We trust these events are now behind us.

## The Board and Staff

In March 2021, the Board was strengthened by the appointment of Trevor Brown, initially as a Non-Executive Director, and in June 2021 as an Executive Director with responsibility for strategy. Trevor brings a wealth of entrepreneurial experience to the Board, which will be invaluable as we embark upon our new strategy for growth.

On 31 May 2021, both Neil Davies and David Flowerday stepped down as Directors of the Company. On behalf of the Board, I would like to again thank Neil and David for their

contribution during our recent difficult times and to wish them well for the future. As part of the restructuring of the Group, on 31 May 2021 Kevin Nolan stepped down from his role as Chief Executive but remains a Non-Executive Director, retaining responsibility for key projects and client accounts and providing continuity, experience and support to the Board.

Subsequent to the period end on 1 June 2021, Kevin Price and Alan Tomlinson were appointed to the Board as Chief Executive and Finance Director respectively. Both Kevin and Alan have a strong working knowledge and experience of the Group's operations from their roles in the Chamberlin Group prior to their appointment to the Board. On behalf of the Board, I would like to welcome Kevin and Alan to their new roles.

The period under review has been a challenging one for the Group and the Board are acutely aware of the impact this has had on our staff. The disruption from COVID-19 led to shutdowns and the need to place large numbers of our employees on furlough, in some cases for extended periods of time, while the economies and markets in which we operate recovered. We were also severely impacted by the BorgWarner decision, which caused further uncertainty for all our employees as we embarked upon the necessary fund raise and subsequent restructure. I would like to place on record the Board's thanks for the dedication, professionalism and loyalty that our employees have continued to demonstrate during these unprecedented times.



Chamberlin has over 130 years of experience in the manufacture of cast iron products

## Outlook

It is with considerable regret that the Board has to announce the huge losses that it has suffered for the period to 31 May 2021, albeit these were largely caused by events outside of Chamberlin's control. The combined impact of COVID-19 and the decision by BorgWarner inflicted near fatal damage to the very existence of the Company. However, the confidence that new and existing shareholders have shown by supporting the Group through the equity raise in March 2021 has enabled the Board to refocus the Group's strategy and future direction.

Encouragingly, revenues in the first-half of the new financial year have been in line with management's expectations, despite lower revenues from the automotive sector due to the semi-conductor shortage impacting that market globally. However, financial performance continues to be impacted by the global headwinds facing most companies, namely rising raw material and energy prices and supply chain and transportation disruption. Management have taken appropriate action to address these issues and believe that financial performance will improve, with management expecting the Group to return to a modest level of profitability in the second-half of the financial year.

As previously announced, the Board is focused on enhancing shareholder value over the medium to long term through diversification away from the declining, high-volume automotive sector and into markets with strong growth characteristics, where we can use our technical and design expertise to develop new products and provide new services. The Board has confidence that this change in strategic focus and mindset will provide the Group with greater opportunities to maintain sustainable, profitable growth in the medium-term for the benefit of all our shareholders and stakeholders.

**KEITH BUTLER-WHEELHOUSE**  
CHAIRMAN

30 November 2021



# GROUP AT A GLANCE

## GROUP OVERVIEW

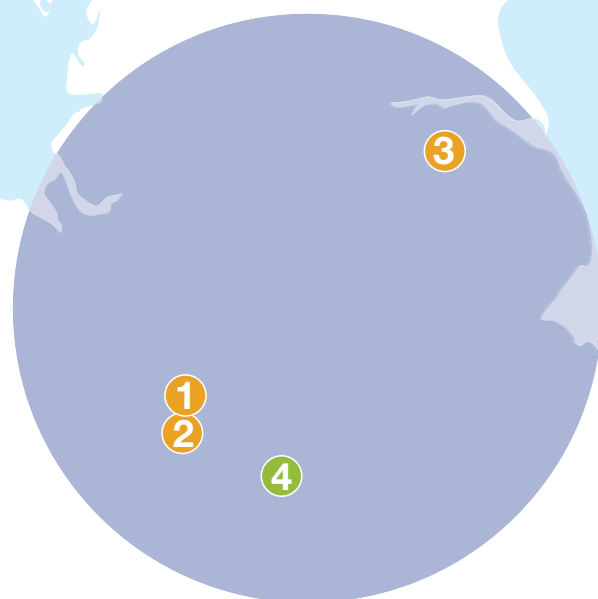
### Product Areas

Chamberlin operates across four locations in the UK. The Foundry Division specialises in technically demanding castings in complex shapes and in specialist metallurgies.

Work is allocated across its two foundry sites and one machining facility based on size and metallurgy as follows:

- Light Castings based in Walsall produce castings up to 20kg in grey iron.
- Heavy Castings based in Scunthorpe make up to 6 tonne castings, in a wide variety of iron grades.
- The machining centre, opened in 2017, supports the light castings made in Walsall.

The engineering business supplies to regulated markets operating from a site in Birmingham.



### UK Manufacturing

#### FOUNDRIES

- 1 Plc Head Office & Chamberlin & Hill Castings, Walsall
- 2 Chamberlin & Hill Castings, machining facility, Walsall
- 3 Russell Ductile Castings, Scunthorpe

#### ENGINEERING

- 4 Petrel, Birmingham

### Global Sales

Engineering activity outside of the UK is a key driver of demand.

Direct exports accounted for 47% of revenue in 2021 to our customers in Europe, America, the Middle East and Asia. Global demand for UK engineered products is strong and our customers are typically leaders in their sectors.



# CHIEF EXECUTIVE'S REVIEW



**KEVIN PRICE**  
CHIEF EXECUTIVE



The combined impact of COVID-19 and the loss of BorgWarner contracts has led to a significant financial loss in the period. The Group is working through the recovery phase from these unprecedented events and implementing a strategy and platform to return the Group to profitability. //

The Group's performance during the 14 month period to 31 May 2021 has been overshadowed by two significant events that has led to substantial financial losses being incurred, the need to raise equity to continue in operation and a subsequent restructure of the business to right-size the cost base.

Group revenue of £26.4m for the 14 months to 31 May 2021 (Year to 31 March 2020: £26.1m) was 14% lower than prior year on a pro rata basis reflecting COVID-19 related headwinds in the first half and the impact of the cancellation of contracts in the second half by BorgWarner Turbo Systems Worldwide (BorgWarner). These events primarily affected the Walsall foundry and machining centre, which had to close completely in April 2020 due to the COVID-19 induced shutdowns of our European automotive customer's sites. Although revenue did partially recover once the Walsall sites re-opened, demand continued to fluctuate as further COVID-19 disruptions throughout the remainder of the period impacted our customers. This unpredictability was then further compounded by the news in December 2020 from BorgWarner of the early termination of the Group's contracts, which contributed £7.5m to revenue in the 14 month period to 31 May 2021.

Russell Ductile Castings' performance in the period was encouraging as it benefitted from less disruption from COVID-19 and reduced levels of competition as a number of competitor foundries were forced to close. Consequently, revenue for the 14 months to 31 May 2021 increased by almost 18% compared to the previous 12 months on a pro rata basis and the division turned an operating loss in the prior year into a profit in the period.

The performance of Petrel, our hazardous area lighting company, also showed promising improvement despite COVID-19 induced customer shutdowns and delays to the procurement of some large lighting projects in the first half.



Chamberlin recently launched its premium range of cast iron Emba Cookware at the BBC Good Food Show in Birmingham

Financial performance in the last eight months of the period dramatically improved, with Petrel delivering £2.0m of revenue and £0.2m of operating profit during that period.

As a result of the COVID-19 disruptions and the impact of the BorgWarner decision, the Group has incurred a substantial loss before tax of £10.4m. It is obviously disappointing to be reporting such a significant loss but it is largely the result of £7.2m of non-underlying costs, primarily associated with the BorgWarner contract losses that will not be repeated. Of these non-underlying costs, £4.7m relate to non-cash impacting impairment of fixed assets and inventories, £1.3m relate to the subsequent restructuring, £0.7m relate to property dilapidation costs and £0.5m relate to legal and adviser costs.

The Group remained focussed on effective cash management throughout the period as the shutdowns from COVID-19 began to impact working capital, with the Group utilising the Government furlough scheme where necessary. However, following the loss of the BorgWarner contracts, it became evident that the Group would not be able to sustain its cash

headroom without an injection of capital. Consequently, the Group raised £3.5m in March 2021 from a share issue to facilitate a restructuring and provide working capital, with net debt reduced at 31 May 2021 to £1.8m (31 March 2020: £4.6m).

With this tumultuous and difficult period now largely behind us, the Group is working through the recovery phase from these unprecedented events and implementing a strategy and platform to return the Group to profitability. In the new financial year, resources have been directed towards new product lines to rapidly reduce reliance on the automotive industry. The Board's aim over the medium term is to replace the majority of the Group's traditional, low margin contract-based production, with much higher margin, premium consumer products in markets with a strong opportunity for growth and where the Group can innovate, control distribution and sales to effect real and sustainable growth in revenue and profits. This strategy is already taking shape, with the establishment of two new customer-focussed brands in the fitness equipment and cast-iron cookware markets:

### Iron Foundry Weights

Iron Foundry Weights, Chamberlin's new trading name for its specialist home and commercial gym equipment business, is developing rapidly. The Group gained great success with the introduction of a range of kettlebells in November 2020 and since then has expanded its product offering to weight-plates and dumbbells, selling products direct to the consumer from our own website, [www.ironfoundryweights.co.uk](http://www.ironfoundryweights.co.uk), and through Amazon in the UK, and more recently in Europe. Through our participation in The Arnold Sports Festival in October 2021, we also have a number of opportunities to sell our products to businesses in the fitness market. In November 2021 the Group's new range of precision machined "indestructible" dumbbells was released, using our unique "Shrink-Fit" assembly technology. The Company has also recently signed an endorsement agreement with social media ambassador Harrison Bird.

### Emba

Chamberlin is making excellent progress with the development of premium-quality cast iron cookware - the Emba Cookware Range - which officially launched its initial product range on-line in November 2021. The rising popularity for premium quality, high value cast iron cookware is growing rapidly in the UK and the Board expects Chamberlin's Emba brand to be at the forefront of this market as the only true UK based designer and manufacturer.

Elsewhere at our Walsall foundry and machining facility, we are actively pursuing a strategy of reducing the reliance on the high-volume automotive sector by utilising our reputation for design and technical excellence to provide engineering solutions in a broader range of markets, including the automotive after-market. Chamberlin is also focused on maximising the capacity of its high-quality, technologically advanced machining centre, which includes the production of fitness equipment for the Iron Foundry Weights brand.

Russell Ductile Castings continues to have a substantial order book and the Board expects that it will continue to build on its positive performance in 2020-21 in the current financial year, benefitting from favourable market conditions, a strong product and technical capability and a growing trend of re-shoring to the UK from overseas.

Petrel has continued to deliver excellent results in the new financial year, continuing the trend from the second half of the 2020-21 financial period. Furthermore, the launch of a new portable product hire service in October 2021 is expected to bring revenue opportunities in the second half.

The COVID-19 pandemic continues to present global challenges to trading conditions, including escalating raw material costs, supply chain shortages and a slowdown in the automotive industry due to widely publicised electronic control unit (ECU) availability. In response to these challenges, the management team continues to reduce costs, improve efficiencies, and optimise pricing to improve margins in order to restore sustainable profitability to the Group.

Although these challenges present difficulties in the short-term which require decisive management action, the Board believes that the strategy outlined above will drive significantly improved results over the medium term. Furthermore, some of these challenges also present significant opportunities. With supply chain constraints and transportation delays impacting the global flow of trade, we are seeing an increasing trend towards re-shoring manufacturing back to the UK from overseas. Made in the UK is a significant unique selling point across all our businesses and the Board believe we are well positioned to take advantage of the opportunities this will inevitably present.



### KEVIN PRICE

CHIEF EXECUTIVE

30 November 2021



Chamberlin has recently signed an endorsement agreement with social media ambassador Harrison Bird

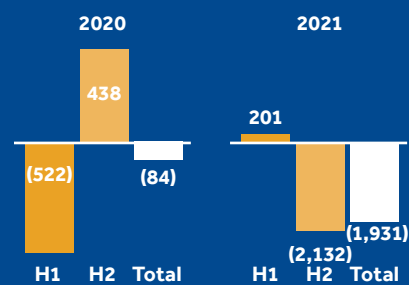


# PERFORMANCE REVIEW

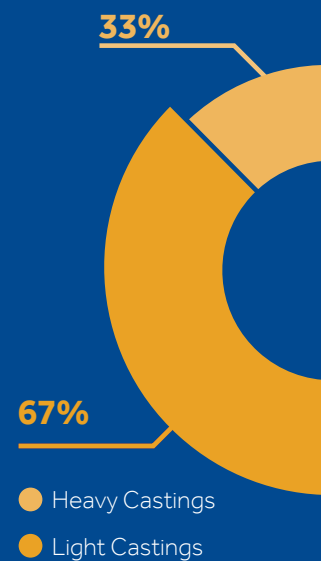
## FOUNDRY Division

Our three foundry division sites cast a range of products ranging from 1kg up to 6,000kg and deliver castings with complex geometry and challenging metallurgy.

### Operating (loss)/profit



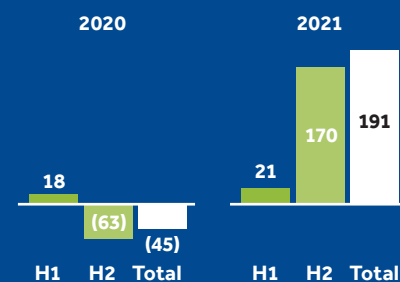
### Revenue split



## ENGINEERING Division

Our engineering site produces lighting for use in hazardous and explosive environments and other industrial applications.

### Operating (loss)/profit



\* H2 represents 8 months

### Revenue split



# MEASUREMENTS AND TARGETS

Business performance is measured through Group-wide targets and improvement measures.

Each Chamberlin business unit participates in an annual round of planning meetings with the Executive Management, during which performance and future plans for that business are reviewed and updated. These business plans are all aligned with the Group business strategy and include specific local and divisional targets and key performance indicators ('KPIs').

In addition, individual business reviews take place throughout the year on a regular basis enabling the Board to assess performance against tactical and strategic milestones.

## Key Performance Indicators (KPIs)

KPIs are used to measure and evaluate Group performance against targets and monitor various activities throughout the Group. The main key performance indicators employed in the Group are set out below:

KPI	Foundries	Engineering	GROUP 14 months ended 31 May 2021
<b>RETURN ON SALES (%)</b> The ratio of the segment's trading profit to the segment's sales. The trading profit is defined in the segmental analysis in Note 3.	<b>(8.3)</b> 2021 (8.3) 2020 (0.4)	<b>6.1</b> 2021 6.1 2020 (1.5)	<b>(11.0)</b> 2021 (11.0) 2020 (4.3)
<b>CASH FLOW (£m)</b> The net decrease/ (increase) in net debt			<b>2.8</b> 2021 2.8 2020 0.8
<b>RETURN ON NET ASSETS (%)</b> The ratio of the segment's trading profit to the segment's net assets (as analysed in Note 3).	<b>417.1</b> 2021 417.1 2020 (1.0)	<b>142.5</b> 2021 142.5 2020 (10.1)	<b>113.1</b> 2021 113.1 2020 (44.2)
<b>SALES PER EMPLOYEE (£000)</b> The ratio of the segment's sales to the segment's average number of employees.	<b>111.6</b> 2021 111.6 2020 100.0	<b>135.8</b> 2021 135.8 2020 108.5	<b>109.3</b> 2021 109.3 2020 97.2
<b>ACCIDENT FREQUENCY RATE</b> The number of accidents per 100,000 hours worked averaged for the full year.	<b>14.1</b> 2021 14.1 2020 9.4	<b>0.0</b> 2021 0.0 2020 2.1	<b>12.9</b> 2021 12.9 2020 8.6

The Directors note that the KPIs reflect the trading conditions of the Group during the year.

Calculations are based on numbers disclosed in the segmental analysis in Note 3 to the accounts and are shown before non-underlying items as detailed in Note 10 to the accounts. The Group percentages incorporate shared costs.

# PRINCIPAL RISKS AND UNCERTAINTIES

Management throughout the Group uses a common model to identify and assess the impact of risks to their businesses. The Group's risk management process is described further in the Corporate Governance Report on pages 14 to 17.

Risk	Description of risk & potential impact	Mitigation
COVID-19	Global pandemic (also known as the coronavirus) has had a severe impact world-wide on both product demand, human behaviour and also working practices.	The Group is managing the business, especially cash, extremely closely, and has taken various actions to mitigate the impact of COVID-19. It has taken advantage of various Government financial initiatives such as the Job Retention Scheme (see Note 5) and deferral of VAT payments. The Group has revisited working practices, such as social distancing from fellow employees and working from home, and have adjusted said practices accordingly.
Foreign currency fluctuation	Approximately 47% of Group revenue was historically derived in Euros. Exchange rate fluctuations driven by macro-economic or geo-political factors could have an impact on the financial performance of the Group.	The Group sells Euros forward in order to provide an effective hedge and reviews the hedged position regularly throughout the year, adjusting where necessary. The Group's risk exposure to fluctuations in the Euro exchange rate has diminished since the cancellation of all contracts by BorgWarner Turbo Systems Worldwide.
Machine shop capacity utilisation	A major customer has informed Chamberlin of an earlier than planned transition to the next product evolution, with the new product awarded to another supplier. Failure to replace this lost revenue could have a material impact on the financial performance of the Group.	A claim is being pursued against the customer for breach of contract, costs are being minimised, and new business opportunities to increase revenue are being actively sought.
Raw material pricing fluctuation	The price of many raw materials is dependent upon movements in commodity prices, especially iron, coke and energy costs.	The Group negotiates, where appropriate, price surcharge arrangements into its customer contracts. Where such arrangements are not formally in place, the Group seeks to work collaboratively and openly with customers on rapidly escalating cost issues.
Failure of our health, safety and environmental ('HSE') controls resulting in harm to employees or other stakeholders	We recognise that we have a duty of care to our employees. We have made great progress in recent years but understand the impact on our employees from the failure of this obligation. This could result in injury or death to our employees or to others and environmental damage with the consequential impact of reputational damage and risk of regulator action.	Established processes are in place to ensure that health, safety and environmental matters are appropriately addressed and any such risks are minimised including monthly reporting to, and review at the Executive Committee. Specialist HSE employees provide support and guidance to businesses including the conduct of regular risk control and health and safety audits.
IT failure/system collapse and loss of data	We utilise a significant number of IT systems to support the Group's production, technology, marketing, sales and financial functions. Failure of any of the systems, corruptions or loss of data could have a major impact on operations.	Development and regular testing of business continuity plans. Ensuring business continuity plans are robust and address temporary unavailability of IT systems. Strategy to upgrade and replace key systems.
Market deterioration	We are a capital intensive business with a high level of fixed costs. Deterioration in our key markets could have a material impact on the financial performance of the Group.	The Group sells into a wide variety of different markets, selling a diversified product range. We strive to work with our key customers to introduce new products and are constantly seeking to identify new business segments and geographical locations into which to sell our products.
Entry into new markets	Slower than anticipated progress on developing new products and penetrating new consumer-led markets could adversely impact the financial performance of the Group.	The Group utilises the specialist skills of marketing advisers that have experience in launching new products in the markets we are targeting. We are continually reviewing and increasing our product offering, listening to and adapting to consumer feedback and expanding into countries outside of the UK.
Production failures	Due to the complex technical nature and fine production tolerances of our products, an unstable production process can result in significant scrap, which could have a significantly adverse impact on results.	The Group seeks to employ a skilled workforce backed by a highly experienced technical and production team in order to provide the relevant experience and skill set to mitigate any production failures.

The Group's approach to managing other financial risk is set out in Note 23 to the financial statements.



# PRINCIPAL RISKS AND UNCERTAINTIES

## Director's statutory duties

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Group under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the group. This S172 statement explains how the Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the company during the financial period.

The Board of Directors, in the course of their collective and individual daily activities and decision-making, are continually mindful of their duties under S172 to act in good faith, in a way that promotes the success of the Company for the benefit of its members and other key stakeholders. In order to fulfil their duties, the Board has regard to the following matters:

Chamberlin's ability to deliver precision engineering to exacting standards in the automotive sector is transferable to new products in development and provides a competitive advantage.



Matter	Board's approach	Further details
The likely consequence of any decision in the long term	Each year, the Board produces a three-year strategic plan that establishes the future direction and goals of the business. This strategic review provides the guiding principles for decisions that need to be made on a day to day basis.	Paragraph 9 of the Corporate Governance Report on page 16.
The interests of the Company's employees	The Board recognises that the Group's employees are fundamental to the successful delivery of its strategic objectives. The Board is particularly aware that the nature of foundry operations means that the working environment of our employees can be challenging and therefore health and safety issues are always a priority.	Paragraph 3 of the Corporate Governance Report on page 14. Paragraph (a) of the Directors' Report on page 22.
The need to foster business relationships with suppliers, customers and others	The success of the business is dependent upon strong relationships with our customers and suppliers. We work closely with customers to understand their needs and to provide products that meet the exacting standards they require. Day to day management of customer and supplier relationships is delegated to business unit senior management, with the Chief Executive and Finance Director providing support and guidance where required.	Paragraph 3 of the Corporate Governance Report on page 14.
The impact of the Company's actions on the community and the environment	The Board is mindful of its obligations to the wider community in which it operates and the impact on the environment of our operations, particularly in relation to the Foundry division given the nature of the business. The environmental impact of our operations are carefully monitored and regular discussions are held with local councils and communities, in particular in relation to air quality issues which are a bi-product of the production process.	Paragraph 3 of the Corporate Governance Report on page 15. Paragraph (b) of the Directors' Report on page 22.
Maintaining high standards of business conduct	The Board promotes a culture of high standards, ethics and integrity in all of its business dealings and expects all employees to act appropriately in all dealings with external parties.	Paragraph 8 of the Corporate Governance Report on page 16.
The need to act fairly between shareholders	The Board believes that all shareholders should be treated equally, with no particular group of shareholders unfairly favoured over any other. The Board believes that open communication with all shareholders is key to achieving this objective.	Paragraph 2 on page 14 and paragraph 10 on page 17 of the Corporate Governance Report.


**KEVIN PRICE**

CHIEF EXECUTIVE

30 November 2021



# GOVERNANCE

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Chamberlin recently signed an endorsement agreement with Lauren Ricci, British Powerlifting Champion.



# THE BOARD

## EXECUTIVE DIRECTORS



**KEVIN PRICE**

Aged 43, Kevin joined the Board and was appointed Chief Executive on 1 June 2021. Kevin has over 25 years' experience in manufacturing and joined Chamberlin in 2015. Prior to his appointment as Chief Executive, Kevin was Operations Director of the Group's Foundry and Machining Facility.



**ALAN TOMLINSON**

Aged 53, Alan joined the Board and was appointed Finance Director on 1 June 2021. Alan joined Chamberlin in June 2019 and prior to his appointment as Finance Director, was Group Financial Controller with additional responsibilities for Petrel, Chamberlin's specialist lighting business. Alan has over 25 years' experience in senior finance roles, including 19 years in a FTSE 250 construction company. Alan, a member of the Institute of Chartered Accountants in England and Wales, is also the Company Secretary.

## NON-EXECUTIVE DIRECTORS



**KEITH BUTLER-WHEELHOUSE**

Aged 75, Keith joined the Board and was appointed Non-Executive Chairman in March 2012. Previously Keith was Chief Executive of Smiths Group plc, Saab Automobile Sweden and Delta Motor Corporation South Africa. He previously served as a Non-Executive Director with Atlas Copco AB, General Motors Europe, J Sainsbury plc, NIU Solutions and Plastics Capital plc.



**TREVOR BROWN**

Aged 74, Trevor Brown was appointed to the Board in March 2021 and has worked as a director in a number of businesses over many years and is currently CEO of IQ-AI Limited and CEO of Braveheart Investment Group plc. He was previously a director of Feedback plc, Management Resource Solutions plc, Advanced Oncotherapy plc and Non-Executive Director of Remote Monitored Systems plc.



**KEVIN NOLAN**

Aged 65, Kevin became a Non-Executive Director on 1 June 2021, having joined the Board as Chief Executive in 2013. Kevin has over 30 years' senior level experience in the engineering sector and joined Chamberlin from global materials engineering group, Wall Colmonoy Ltd, where he was Managing Director. He previously worked for Doncasters Group Ltd, the international engineering group that manufactures precision components and assemblies, where he successfully led the expansion of a number of the Group's business units and latterly was appointed Divisional Managing Director of Doncasters' largest division, Doncasters Turbine Airfoils and Structural Castings Division. Kevin is currently Non-Executive Director of Operational Risk Consortium Limited.

# CORPORATE GOVERNANCE REPORT

## Governance Statement

The Board of Directors of the Company fully endorses the importance of good corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code"), which they believe is the most appropriate recognised governance code for a company of its size with shares admitted to trading on the AIM market of the London Stock Exchange. The QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders. Details of the Group's compliance with the code are set out below:

### 1. Establish a strategy and business model which promote long-term value for Shareholders

Chamberlin is a well-established specialist provider of small and large castings and high-quality lighting for hazardous areas and industrial applications. A new strategy to develop our own products for markets that have strong growth characteristics is being implemented.

The Group has a solid revenue model with the majority of revenue arising from recurring agreements or repeat business from long-standing customers.

Further details are provided in the Chairman's Statement, Chief Executive's Review and Strategic Report.

### 2. Seek to understand and meet Shareholder needs and expectations

Chamberlin highly values regular two-way engagement with Shareholders to discuss strategy and performance levels. The Executive Directors aim to ensure that both current and potential future investors have the opportunity to fully understand the business alongside being able to understand the needs of investors and analysts.

We offer to meet with all institutional investors that wish to do so at least twice a year in the results period. These meetings include a presentation of the latest financial performance, a wider business update and discussion on the longer-term plan. These meetings are normally attended by the Group Chief Executive and Group Finance Director. We also welcome engagement with our key Shareholders throughout the year.

We answer and respond to any Shareholder calls or correspondence on an individual and personal basis as they are received and then endeavour to keep in contact with the Shareholder.

The AGM presents the main opportunity for engagement with private Shareholders. This meeting is typically attended by all Board members and several senior operational managers.

### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Chamberlin aims to ensure that the highest standards of corporate behaviour are maintained throughout its business. We do this through monitoring and actively managing our impact on the locations where we operate and our relationships with key stakeholders. The main mechanisms for wider stakeholder engagement and feedback can be summarised as follows:

#### Health and Safety

Health and safety is a key issue for the Board, management and employees. Our policies require all sites to operate to high standards with the objective of continuous improvement in health and safety performance.

Health and safety management is aligned to the operations of the business. All employees are responsible for ensuring that health and safety policies are implemented and for identifying opportunities for improvement. The business is supported in this by qualified health and safety professionals.

All sites are required to report on health and safety performance on a monthly basis to the Board. The key health and safety performance indicators focus on accident reporting. These indicators are used to monitor the effectiveness the health and safety systems and to drive improvements. Health and safety is the first standard agenda item at all Board meetings. Our Accident Frequency Rate for the period of 12.9 is reported as a Key Performance Indicator on page 8.

#### Suppliers

The third-party supply base can be the key to the success of the Chamberlin business. As such, there are processes in place within each of the business units to actively manage supplier relationships in the normal course of business, taking appropriate feedback and developing actions as necessary.

#### Employees

The Group's employment policy includes a commitment to the principles of equal opportunity for all, and specifically prohibits discrimination of any type. Our policy is always to ensure that all persons are treated fairly irrespective of their colour, race, sex, sexual orientation, age or youth, religion, political beliefs, trade union membership or non-membership, marital and physical or mental status or any other factors including pregnancy and maternity. Chamberlin aims to involve its employees in the activities of the business.

Employees are informed of business performance via a number of routes including shop floor visual performance charts, management/employee briefings, dialogue with trade union representatives and health and safety meetings.

### Community

Chamberlin recognises the role that local communities play in our business, and we aim to be a responsible partner in the localities in which we operate throughout the UK. We encourage all of our businesses to support the needs of their local communities through contributing to local charities and community initiatives.

Examples of initiatives include:

- Involvement of our employees on the governing boards of local schools and colleges;
- Partnership with a local further education college to develop in house training facilities;
- Sponsorship of local initiatives such as funding a school football team and a children's garden project.

## 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

### Financial control

The Group has an established framework of financial controls, the effectiveness of which is reviewed regularly by senior management, the Board and the Audit Committee. Key areas of control are as follows:

- The Board has responsibility for approving all annual budgets, longer-term strategy and plans, dividend policy, financial and funding structure of the Group and any material investments.
- Key performance metrics are reported to the Executive Directors weekly, including invoicing, sales orders, order book and cash.
- Financial performance on a monthly basis is reported to the Board comparing to forecast, budget and prior year.
- There is a comprehensive forecast process in place providing the Board with an updated view of the likely performance for the financial year on a monthly basis (in the absence of ad hoc material events) including revenue, profit and cash.
- Monthly management meetings are held with each business in the Group, chaired by the Group Chief Executive.
- A robust system of controls exist to cover all types of cost including recruitment, promotions, salary costs and capital expenditure. All payments are approved by senior finance staff.
- Return on investment and payback are tracked for business acquisitions as well as other types of investments. These are reported to the Board on a monthly basis.

### Other controls

The Board continually reviews whether the system of controls and risk management in place is appropriate for the size, complexity and risk profile of the Group. The controls currently in place include:

- Monthly management meetings for each business, chaired by the Group Chief Executive and attended by the Group Finance Director, provide the mechanism for reporting identified risks and setting required actions to mitigate. Any risks of a material nature are then reported to the Board through the monthly Board meeting. These meetings incorporate a monthly health and safety review meeting in which each site responsible officer reports on current status against set criteria. A monthly health and safety dashboard is also reported to the Board. These mechanisms facilitate ensuring each site has appropriate roles and processes in place including first aiders, fire wardens, regular fire alarm tests and regular health and safety checks.
- All contracts are approved by the Finance Director prior to signing.
- Dedicated resource and appropriate tools are in place that proactively monitor the Group's IT infrastructure to ensure high levels of security are maintained, as well as looking to continually improve. This is reviewed at regular intervals with the Group Finance Director.

A summary of the Group's principal risks, potential impact and mitigations are included in the Strategic Report.

## 5. Maintain the Board as a well-functioning balanced team led by the Chair;

The Board has been led by the Chairman, Keith Butler-Wheelhouse, since 2012 and comprises two Executive Directors and three Non-Executive Directors. Board decisions are made at regular Board meetings following discussions between all five Directors, with the Non-Executive Directors providing the necessary challenge and balance to proposals made by the Executive Directors.

## 6. Ensure that between them the directors have the necessary up to date experience, skills and capabilities

Details of the Director's careers and experience can be found on page 13 The Board.



# CORPORATE GOVERNANCE REPORT CONTINUED

## 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider seriously the effectiveness of the Board, Committees and individual performance.

The Board meets formally seven times a year with ad hoc Board meetings as the business demands. In the period following the announcement by BorgWarner, the Board met at least once per week to facilitate a rapid response and decision making. Details of the Directors' attendance at board meetings are set out on page 17. There is a strong flow of communication between the Directors, in particular the relationship between the CEO and Chairman. The agenda is set with the consultation of both the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Papers are circulated well in advance of the meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

In addition to the above, the Directors have a wide knowledge of the business and requirements of director's fiduciary duties. The Directors have access to the Company's NOMAD and auditors.

On-going review of the functioning of the Board and ensuring that the highest level of governance is maintained whilst being mindful of the size and stage of development of the Company. The Board has not to date adopted a board performance evaluation process however this is something that the Board may consider in future.

The Board and executives' performance will be judged on the delivery of certain desired outcomes as summarised in the annual report.

## 8. Promote a corporate culture that is based on ethical values and behaviours

All Directors, managers and employees at Chamberlin plc are required to exercise high standards of ethics and integrity in conducting the Group's business. Specifically they should adhere to both the letter and spirit of relevant laws and regulations. The Group applies these standards to all of its dealings with customers, suppliers, employees and other stakeholders.

The Board has adopted a Whistleblowing Policy and Procedure, to encourage employees to raise concerns about misconduct or malpractice, and to ensure that such concerns can be reviewed and considered fairly and properly. This forms part of the Board's processes for monitoring adherence to the ethical values and behaviours expected from the Group's employees.

The Board has formal anti-bribery policies and procedures to comply with the requirements of the Bribery Act 2010.

The Group values its reputation for ethical behaviour and for honesty and transparency. Its aim therefore is to limit its exposure to bribery by:

- Setting out a clear anti-bribery policy;
- Encouraging its employees to be vigilant and to report any suspicion of bribery;
- Rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution;
- Taking firm and vigorous action against any individual(s) involved in bribery.

## 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. No one individual has unfettered powers of decision. The roles of Chairman and CEO are split in accordance with best practice.

The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives.

The role of the CEO is to provide the vision for the strategic direction of the Group and to ensure that the Group has sufficient resources to be able to deliver its strategy and goals. The CEO is responsible for the day to day running of the Group, providing leadership to the senior management team and establishing a framework that enables the Group to operate in an efficient manner to achieve its objectives and in line with the strategy. The CEO is also responsible for ensuring that appropriate risk management policies and procedures are implemented to minimise exposure to risk, be they financial, ethical, environmental, health and safety or operational risks.

The Audit Committee, which consists of two Non-Executive Directors, Kevin Nolan (Chairman) and Keith Butler-Wheelhouse, meets at least twice per year with the external auditors in attendance when required. It has formal terms of reference which include reviewing and monitoring internal financial control and risk management systems, consideration of the annual, interim and auditor's reports and making recommendations to the Board in relation to the appointment and remuneration of the auditors. The Audit Committee also assists the Board in ensuring that appropriate accounting

policies, financial systems, internal controls and compliance procedures are in place. It also reviews the relationship between the Group and the external auditors in terms of the provision of non-audit services and ensuring that auditor independence and objectivity is maintained.

The auditors have direct access to the Chairman of the Audit Committee and a formal "whistle-blowing" policy is in operation, in relation to any concerns staff may have concerning the propriety of Group operations and activities. No issues or incidents have come to light as a result of this policy. All proposals for the provision of non-audit services by the external auditor are pre-approved by the Audit Committee or its delegated member, the overriding consideration being to ensure that the provision of non-audit services does not impact the external auditor's independence and objectivity.

The Remuneration Committee comprises two Non-Executive Directors: Kevin Nolan (Chairman) and Keith Butler-Wheelhouse. The committee meets when necessary, usually at least twice per year, and is responsible for determining the remuneration packages of the Executive Directors and of the Chairman.

The Board retains full and effective control over the Company and holds regular Board meetings at which financial, operational and other reports are considered and where appropriate voted upon. The Board is responsible for the Group's strategy and key financial and compliance issues,

including reserved matters such as acquisitions and disposals, the raising of finance, entry or exit to and from key markets and all commercial and legal matters impacting the Group.

## 10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Details of the Company's Governance structure is contained within this report and our compliance with the QCA code is also published on our website.

The performance of the business is communicated to shareholders through the Annual Report, which together with the notice of AGM, interim report and regulatory announcements released throughout the year are available to all shareholders and can be downloaded from the investors section of our website. The website also includes interim and annual reports issued for at least the last five years.

We update shareholders via notifications to the market through a regulatory news service ("RNS") on matters of a material substance and regulatory nature.

The primary contact for shareholders in the first instance is the Chairman of the Board, who can be contacted via the contact details on the corporate website.

### Summary of attendance at meetings

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings in the period	31	1	1	2
Trevor Brown (Note 1)	9	-	-	1
Keith Butler-Wheelhouse	31	1	1	2
Neil Davies	31	n/a	n/a	2
David Flowerday	31	-	1	2
Kevin Nolan	31	n/a	n/a	2
Kevin Price	Note 2	Note 2	Note 2	Note 2
Alan Tomlinson	Note 2	Note 2	Note 2	Note 2

Note 1 Appointed 8 March 2021

Note 2 Appointed 1 June 2021

n/a – indicates that a Director was not a member of a particular committee.

By order of the Board



**ALAN TOMLINSON**  
COMPANY SECRETARY

30 November 2021

# AUDIT COMMITTEE REPORT

## Key objective

The Audit Committee acts on behalf of the Board and the Shareholders to ensure the integrity of the Company's financial reporting, evaluate its systems of risk management and internal control and oversee the relationship and performance of the external auditors.

## Membership, meetings and attendance

The composition of the Audit Committee during the year was:

David Flowerday (Chairman)  
Keith Butler-Wheelhouse

Following the retirement of David Flowerday on 31 May 2021, Kevin Nolan became Chairman of the Audit Committee. The

Audit Committee meets at least twice during the year and details of the attendance at meetings are shown on page 17.

## Responsibilities

The Audit Committee's main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems, considering the annual report, interim accounts and auditor's reports, and making recommendations to the Board in relation to the appointment and remuneration of the auditors.

D.Singh, a core shop operative at our foundry in Walsall, with one of the first skillets to be produced for the Emba Cookware range.





The main responsibilities of the Committee are:

- to review accounting policies and the integrity and content of the financial statements;
- to monitor disclosure controls and procedures and the Company's internal controls;
- to monitor the integrity of the financial statements of the Company and to assist the Board in ensuring that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable;
- to review and approve preliminary results announcements;
- to consider the adequacy and scope of external audits;
- to review and approve the statements to be included in the Annual Report on internal control and risk management; and
- to review and report on the significant issues considered in relation to the financial statements and how they are addressed.

### Key activities during the year

The key activities and areas covered by the Audit Committee during the year were as follows:

#### Annual and Interim Results

At the request of the Board, the Committee reviewed the presentation of the Company's audited results for the 14 months to 31 May 2021, and the unaudited results for the six months to 30 September 2020, to ensure that they were fair, balanced and understandable and provide sufficient information necessary for Shareholders and other users of the accounts to assess the Company's position and performance, business model and strategy.

The most significant areas of focus in relation to the results for the 14 months ended 31 May 2021 were as follows:

- impairment of assets. Following the cancellation of all contracts by BorgWarner Turbo Systems Worldwide in December 2020, the Directors undertook a detailed impairment review of the foundry division cash generating unit (CGU) that was impacted by this decision. The review concluded that an impairment charge was required in relation to property, plant and equipment where the value in use was deemed to be lower than carrying value. The Audit Committee discussed the assumptions made in the value-in-use assessment concerning the future performance of the CGU and found them to be reasonable. In addition, a review was undertaken in relation to the carrying value of inventory associated with the BorgWarner contracts that were cancelled. This review concluded that an obsolescence and slow moving provision was required against the related inventory items;
- pension scheme valuation. The closed defined benefit pension scheme liability of £1.2m is a significant liability on the Group's balance sheet. Consequently the Audit Committee reviewed the appropriateness of the assumptions used by the external actuary in deriving the IAS 19 liability and found them to be reasonable.
- going concern. The Audit Committee reviewed the appropriateness of the two year forecast and budget used to assess the Group's ability to continue to operate as a going concern. This review included discussion of the assumptions used in the forecasts, including the downside sensitivity analysis used to reflect the uncertainties regarding revenue growth and found them to be reasonable in the light of the current information available.
- the Group occupies two rental properties from which it conducts its activities. The circumstances of the businesses that operate from the properties has led the Directors to review the Group's provision for dilapidation costs that could arise at the end of the leases. This requires the Directors to make judgements concerning the future cost of returning the leased properties to the landlords in the condition specified in the lease. The Audit Committee reviewed the appropriateness of the third party estimates used to estimate the potential cost of dilapidations and found them to be reasonable.

#### Management override of internal controls

The Audit Committee considered the inherent risk of management override of internal controls as defined by Auditing Standards. In doing so the Audit Committee continues to review the overall robustness of the control environment.



**KEVIN NOLAN**  
CHAIRMAN, AUDIT COMMITTEE

30 November 2021

# DIRECTORS' REMUNERATION REPORT

## Remuneration Committee

The Remuneration Committee comprises two Non-Executive Directors: Kevin Nolan (Chairman) and Keith Butler-Wheelhouse, following the retirement of David Flowerday on 31 May 2021. The Committee meets when necessary, usually at least twice per year, and is responsible for determining the remuneration packages of the Executive Directors and of the Chairman.

## COVID-19 Response

The Remuneration Committee resolved that sacrifices at senior level were required, bearing in mind the serious threat to the Group. Accordingly, the Chairman agreed to reduce his fee to £30,000 per annum, and Mr Flowerday agreed to reduce his to £15,000 per annum from 1 June 2020. The total non-executive remuneration has now reduced to about a third of the level a year previously. The Committee has also resolved that the 2020/21 Executive bonus plan be suspended.

## Policy on Remuneration of Executive Directors and Senior Executives

The Committee aims to ensure that remuneration packages offered are designed to attract, maintain and motivate high-calibre Directors and senior executives, without paying more than necessary for the purpose. The remuneration policy attempts to match the interests of the Executives with those of Shareholders by providing:

### (a) Basic salary and benefits

Executive Directors' basic salaries are reviewed each year, taking into account the performance of the individual and rates of salary for similar jobs in companies of comparable size. The main benefits provided are a company car allowance and health insurance.

The Company operates a defined contribution pension scheme for the majority of its employees, including Executive Directors. No performance-related bonuses nor benefits in kind are included in pensionable salary.

### (b) Annual performance-related bonus scheme

In order to link executive remuneration to Group performance, Executive Directors participate in bonus schemes appropriate to their objectives. For the 14 months ended 31 May 2021 the bonus in respect of Kevin Nolan and Neil Davies was linked to Group profit and net debt and the achievement of personal objectives. The maximum amount of bonus payable is 100% of their basic salary.

### (c) Share options

On 13 May 2021, options over 3,581,314 ordinary shares of 0.1p were granted to certain Directors and senior management under the Chamberlin Performance Share Plan. The share options have an exercise price of 6p per share and will vest on the third anniversary of the date of grant.

## Service Contracts

All Executive Directors who served during the period have rolling service contracts terminable on no more than one year's notice. On 1 June 2021, the Board appointed Kevin Price as Chief Executive and Alan Tomlinson as Finance Director on service contracts that are terminable with three months' notice.

## Non-Executive Directors

Remuneration of the Non-Executive Directors, apart from the Chairman, is approved each year by the Chairman and the Executive Directors. The Chairman's remuneration is approved by the Remuneration Committee.

## Directors' Remuneration

	Basic salary £000	Compensation for loss of office £000	Benefits £000	Annual bonus £000	Total remuneration excluding pensions	
					2021* £000	2020* £000
<b>Executive</b>						
Kevin Nolan**	358	—	2	—	360	223
Neil Davies	186	185	1	—	372	162
<b>Non-Executive</b>						
Trevor Brown***	—	—	—	—	—	—
Keith Butler-Wheelhouse	36	—	—	—	36	56
Keith Jackson****	—	—	—	—	—	10
David Flowerday*****	19	—	—	—	19	26
<b>Total 2021</b>	<b>599</b>	<b>185</b>	<b>3</b>	<b>—</b>	<b>787</b>	
Total 2020	474	—	3	—		477

\* Figures for 2021 are for a 14 month period whilst figures for 2020 are for a 12 month period

\*\* Highest paid Director in 2021 and 2020.

\*\*\* Appointed 8 March 2021

\*\*\*\* Retired 23 July 2019

\*\*\*\*\* Retired 31 May 2021

In the 14 month period to 31 May 2021, Kevin Nolan received additional salary of £137,000 to reflect the transition from his role as Chief Executive to Non-Executive Director.

On 31 May 2021, Neil Davies stepped down from his role as Finance Director, with his 12 month notice pay and accrued holiday pay included in compensation for loss of office in the above table.

Benefits include all assessable tax benefits arising from employment by the Company, and relate mainly to the provision of private medical insurance. The figures above represent emoluments earned as Directors during the relevant financial period. Such emoluments are paid in the same financial period with the exception of bonuses, which are paid in the year following that in which they are earned.

### Directors' Pensions

No retirement benefits accrued during the period to Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2020: nil), which is a closed defined benefit scheme.

#### Contributions into personal pension plans

	Percentage of basic salary	Contribution paid 2021 £000	Contribution paid 2020 £000
Kevin Nolan	10%	34	21
Neil Davies	10%	35	15

For Directors who have served during the year, no other pension contributions were paid other than as disclosed above.

### Directors' Options

	31 March 2020	Granted in year	Exercised in year	Lapsed or forfeited in year	31 May 2021	Option exercise price	Exercisable between
Kevin Nolan	–	666,666	–	–	666,666	6.0p*	14.05.24 – 14.05.31
Kevin Nolan	216,616	–	–	–	216,616	97.5p	19.06.21 – 19.06.28
	216,616	666,666	–	–	883,282		

Prior to their appointment as Chief Executive and Finance Director on 1 June 2021, Kevin Price and Alan Tomlinson were granted share options over 666,666 and 555,000 ordinary shares of 0.1p with an exercise price of 6.0p.

The options will normally become exercisable on or after the third anniversary of the date of grant subject to the satisfaction of performance conditions set by the Remuneration Committee at the time of grant. The proportion of awards that become exercisable varies on a straight-line basis, from 20% to 100%, depending upon the average share price in the three-month period ending on the anniversary of the date of grant. A share price of 80p is required for 20% of the options to be exercisable and 120p for 100% of the options to be exercisable.

No consideration is payable for the grant of an option.

No share options have been exercised in 2021 or 2020.

There have been no changes in the interests set out above between 1 June 2021 and 30 November 2021.

The mid-market price of the shares at 31 May 2021 was 10.75p and during the 14 month period ranged between 7.0p and 18.0p.

On behalf of the Board



**KEVIN NOLAN**

CHAIRMAN, REMUNERATION COMMITTEE

30 November 2021



# DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the 14 month period ended 31 May 2021.

The Company is registered in England and its registration number is 00076928.

## (a) Employees

Staff numbers and associated costs are shown in Note 5 to the accounts. The segmental split of the average number of employees is as follows:

	14 months to 31 May 2021	Year to 31 March 2020
Foundries	209	231
Engineering	23	28
Head office*	10	10
Group	242	269

\* includes Non-Executive Directors.

The Group's employment policy includes a commitment to the principles of equal opportunity for all, and specifically prohibits discrimination of any type. Our policy is always to ensure that all persons are treated fairly irrespective of their colour, race, sex, sexual orientation, age or youth, religion, political beliefs, trade union membership or non-membership, marital and physical or mental status, or any other factors including pregnancy and maternity.

In particular, the Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. We endeavour to provide those who have physical or mental disabilities with specific assistance, and arrangements are made to enable them to work for us wherever and whenever this is reasonably practical. We expect all employees to comply in every respect with the Group's employment policies at all times.

The Group has arrangements in place for the involvement of all employees in the activities of the business, including management/employee briefings, dialogue with trade union representatives and health and safety meetings. A safety policy is in place throughout the Group and all employees are required to be aware of their responsibilities under the Health and Safety at Work Act. A copy of the policy and all relevant Codes of Practice are available at the workplace. It is the policy of the Group to recognise that the training of employees is important to the efficiency of the business and each employee's welfare and safety. Promotion is encouraged within the organisation and it is Group policy to promote from within wherever this is appropriate.

## (b) Environment

The Board recognises that our operations have an effect on the local, regional and global environment, and as a consequence of this, the Board is committed to continuous improvements in environmental performance and the prevention of pollution.

Specifically, the Group has and will:

- comply with the requirements of all relevant environmental legislation, meeting any set emission limits and standards laid down, and use best available techniques in order to control impacts on the environment;
- maintain and develop environmental management policies and practices to continually monitor and progress the minimisation of the effects of the business on the environment. Environmental management is considered to be a key part of the business strategy at all levels within the Group;
- actively encourage the minimisation of waste from all aspects of the business and promote the benefits of recycling and re-use;
- reduce energy use and emissions of carbon dioxide by increasing energy efficiency through all parts of the Group and to seek new opportunities of improving energy efficiency as part of the overall improvement of the business;
- consider environmental factors in respect of the growth of the business, seeking as far as is practical to reduce harmful environmental impacts and to integrate new developments into the local environment; and
- actively encourage the consideration of the environmental impact of all raw materials and services purchased by the business, and where practical to use the options with the least impact and to reduce the consumption of raw materials.

## (c) Research and Development

The Group's research and development activities in the period, consist primarily of devising methods for achieving the casting of complex shaped and/or multi-cored products in the foundry businesses and the design and development of new products in our engineering business, principally hazardous area lighting products. The Board views such activities as key to the future prosperity of the business. Expenditure expensed through the income statement is shown in Note 7 and expenditure capitalised in Note 12 to the accounts.

## Financial instruments

The Company's policy in respect of financial instruments is disclosed in Note 23.

## Dividends

The Directors do not recommend the payment of a final dividend (2020: nil p). No interim dividend (2020: nil p) has been paid during the year.

## Directors

Details of the Directors of the Company and their interests in the shares of the Company are shown below. The interests of the Directors in share options are shown in the Directors' Remuneration Report on page 21.

See Board of Directors on page 13 for details of all Directors during the year, including appointments and resignations.

## Directors' Shareholdings

Beneficial interests of the Directors in the shares of the Company, including those of their immediate families were:

	At 31 May 2021 Number of shares	At 31 March 2020 Number of shares
Trevor Brown	20,833,333	–
Keith Butler-Wheelhouse	620,127	120,127
Kevin Nolan	–	–
Neil Davies	–	–
David Flowerday	–	–

There have been no changes in the above shareholdings in the period from 1 June 2021 and 30 November 2021.

## Special Business at the Annual General Meeting

### Directors' authority to allot shares

As in previous years, (and indeed at the recent general meeting held on 8 March 2021), approval will be sought to renew the authority given to the Directors to allot shares in the Company. Authority will be sought to allot shares in the Company up to an aggregate nominal amount of £13,924 (which represents approximately 20% of the issued ordinary share capital of the Company as at 30 November 2021).

Authority will also be sought from Shareholders to allow the Directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £13,924. This sum represents 13,924,956 ordinary shares of 0.1 pence each, being equivalent to 20% of the issued share capital of the Company at 30 November 2021.

## Authority to purchase own shares

At the Annual General Meeting in June 2021, the Board was given authority to purchase and cancel up to 6,962,478 of its own shares representing just under 10% of the Company's existing issued share capital, through market purchases on AIM. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price that may be paid for each share is 0.1 pence (the nominal value of an ordinary shares). No purchases have been made.

That authority to make market purchases has since expired. The Directors are now seeking the approval of Shareholders for the renewal of this authority upon the same terms, to allow the Company to purchase and cancel up to 6,962,478 of its own shares, again representing just under 10% of its issued share capital at 30 November 2021.

The authority is sought by way of a special resolution, details of which are also included at item 12 in the notice of meeting. This authority will only be exercised if the Directors, in the light of market conditions prevailing at the time, expect it to result in an increase in earnings per share, and if it is in the best interests of the Shareholders generally. Account will also be taken of the effect on gearing and the overall position of the Company.

These authorities are to be for the period commencing on the date of passing of the requisite resolutions until the earlier of the next Annual General Meeting and 15 months. The proposed resolutions are set out as items 10 to 12 in the notice of meeting on pages 79 and 80.

## Significant Shareholders

At 30 November 2021, the Company was aware of the following interests of 3% or more of the Company's share capital, other than those of Directors:

	Number of shares	% of issued share capital
Chelverton UK Dividend Trust Plc	6,000,000	8.6
AXA Investment Managers S.A.	4,475,000	6.4
HSBC	4,114,650	5.9
Miton UK Microcap Trust PLC	3,477,152	5.0

At the Annual General Meeting to be held on 5 January 2022 (see the Notice of Annual General Meeting on pages 81 and 82), all of the Directors will retire and, being eligible, offer themselves for election and re-election as applicable.

# DIRECTORS' REPORT CONTINUED

No Director had a material interest during the year in any significant contract with the Company or with any subsidiary undertaking. The Group provides indemnities to the Directors in respect of liabilities or claims arising in the performance of their duties. For all the Directors serving during the year, and up to the date of this Annual Report, there are indemnity arrangements in place with each Director in respect of costs defending civil, criminal and regulatory proceedings brought against them in their capacity as Directors, where not covered by insurance and subject always to the limitations set by the Companies Act 2006.

## Directors' Responsibility Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulations. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Going Concern

The Group is funded principally by an invoice finance facility of up to 90% of the value of outstanding invoices, subject to a maximum of £3.5m, and by £2.2m of finance leases for major items of capital equipment. At the balance sheet date £0.7m was drawn under the invoice finance facility. The IF facility is a rolling contract with 3 months notice and has been in place for 7 years with no change in terms and conditions. It is reviewed annually every March and the the Director's going concern assessment assumes that these facilities will continue to be in place throughout the forecast and budget period. There was a post COVID-19 review in October 2020 where it was confirmed that the IF facility was renewed. The available headroom under the invoice finance facility at 31 May 2021 was £2.4m. Finance leases liabilities are repayable by 2025, with agreement from HSBC for repayments to be deferred during the current COVID-19 crisis. The Group also occupies property under right of use leases, the future payments giving rise to liabilities of £0.4m.

On 16 December 2020, the Company was notified by its major customer, BorgWarner Turbo Systems Worldwide that it intended to cancel all contracts with effect from 22 January 2021. As a result, the Board and its advisers immediately implemented measures to reduce costs and preserve cash whilst exploring options to strengthen the balance sheet. The result of this process was the appointment of Trevor Brown as a Non-Executive Director in March 2021 and a share placing and subscription that raised equity for the Group of £3.5 million. The equity raise provided the cash resources necessary to undertake a restructuring to realign the Group's cost base to the lower level of ongoing revenue and to provide short-term working capital.

The Group's detailed forecast for the year ending 31 May 2022 and budget for the year ending 31 May 2023 reflect the Director's view of the most likely trading conditions. The forecast and budget indicate that existing bank facilities are expected to remain adequate.

The forecast and budget include revenue growth assumptions in the second half of the year to 31 May 2022 and continuing into the year ended 31 May 2023, which is needed to replace the lost BorgWarner contracts. These assumptions include growth into new E-commerce and consumer-led markets relating to fitness equipment and cookware following the recent launch of the Iron Foundry Weights (IFW) and Emba Cookware brands.

The Directors have applied reasonably foreseeable downside sensitivities to the forecast and budget, which assumes that sales growth from new E-commerce products is 50% lower than expectations, automotive volumes remain at current low levels and non-automotive sales growth is 50% lower than expectations. The budget, forecast and sensitised scenario exclude the possible receipt of compensation from BorgWarner and proceeds from the sales of under-utilised machinery. Furthermore, the Group is reliant on an invoice finance facility to fund its working capital needs. The renewal of the facility at the next annual review in March 2022 cannot be guaranteed, although there are no indications at the date of the approval of the financial statements that a renewal with the existing provider would not be granted or that alternative providers could not be found. In addition, the Directors have assumed that deferred settlement terms will be agreed with HMRC in relation to PAYE arrears of £1.3m for one subsidiary in the Group that have arisen in the period since the announcement by BorgWarner, having already agreed deferred settlement terms with HMRC for two subsidiaries.

As a consequence, after making enquiries, the Directors have an expectation that, in the circumstances of the reasonably foreseeable downside scenarios described above, the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

However, the rate at which new work can be secured to replace the lost BorgWarner activity is difficult to predict. Furthermore, the ability to renew or source alternative invoice finance facilities or to agree deferred settlement terms with HMRC results in material uncertainty, which may cast significant doubt over the ability of the Group and the Company to realise its assets and discharge its liabilities in the normal course of business and hence continue as a going concern.

The Directors continue to adopt the going concern basis, whilst recognising there is material uncertainty relating to the above matters.

## Matters Covered in the Strategic Report

Key performance indicators and principal risks have been covered in the Strategic Report.

## Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 13. Having made enquiries of fellow Directors and of the Company's Auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

## Auditor

On 6 July 2021 Grant Thornton resigned as auditor and Crowe U.K. LLP were appointed in their place. A resolution will be proposed to reappoint Crowe U.K. LLP as auditor and to authorise the Directors to determine their remuneration.

By order of the Board



**ALAN TOMLINSON**  
COMPANY SECRETARY

30 November 2021





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At Chamberlin, quality is an investment in people and process. This is driven by the business desire to manufacture quality castings, achieve customer satisfaction, delivering on time requirements which satisfy industry standards and specifications.

# INTRODUCTION



**ALAN TOMLINSON**  
FINANCE DIRECTOR

Welcome to the financial statements section of our Annual Report.

The Directors have included the annual financial review on the following pages as commentary on the primary statements.

While the accounting policies adopted by the Group are an important part of our Annual Report, we recognise that many readers of the financial statements prefer to use these as a reference tool. These policies are now included towards the end of the financial statements, rather than at the beginning.

There are 26 Notes to the Group financial statements and while all of this information is necessary to ensure we comply with International Financial Reporting Standards, it does not always make it easy to find what you are looking for. We have therefore structured the notes into five sections (as outlined in the table of contents on the previous page) for easier navigation.

## Introduction and Table of Contents

These financial statements have been presented in a manner which attempts to make them less complex and more relevant to Shareholders. We have grouped notes in sections under five headings: 'Basis of Preparation', 'Results of the Period', 'Operating Assets and Liabilities', 'Capital Structure' and 'Other Notes'. The purpose of this format is to provide readers with a clear understanding of what drives the financial performance of the Group.

Notes to the financial statements provide additional information required by statute or accounting standards to explain a particular feature of the financial statements. The notes that follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

**ALAN TOMLINSON**  
FINANCE DIRECTOR  
30 November 2021



Chamberlin's Emba Cookware range is hand-made in the traditional way using our unrivalled iron casting experience to produce a high-quality and durable product.

# CONSOLIDATED INCOME STATEMENT

FOR THE 14 MONTHS ENDED 31 MAY 2021

	Notes	14 months ended 31 May 2021			Year ended 31 March 2020		
		Underlying £000	Non- underlying* £000	Total £000	Underlying £000	Non- underlying* £000	Total £000
<b>Revenue</b>	3	<b>26,444</b>	<b>–</b>	<b>26,444</b>	26,143	–	26,143
Cost of sales		<b>(24,262)</b>	<b>–</b>	<b>(24,262)</b>	(23,632)	–	(23,632)
<b>Gross profit</b>		<b>2,182</b>	<b>–</b>	<b>2,182</b>	2,511	–	2,511
Other operating expenses	4,10	<b>(5,083)</b>	<b>(7,193)</b>	<b>(12,276)</b>	(3,635)	(909)	(4,544)
<b>Operating loss</b>	7	<b>(2,901)</b>	<b>(7,193)</b>	<b>(10,094)</b>	(1,124)	(909)	(2,033)
Bank interest receivable		<b>13</b>	<b>–</b>	<b>13</b>	–	–	–
Finance costs	6	<b>(310)</b>	<b>–</b>	<b>(310)</b>	(310)	–	(310)
<b>Loss before tax</b>		<b>(3,198)</b>	<b>(7,193)</b>	<b>(10,391)</b>	(1,434)	(909)	(2,343)
Tax credit/(expense)	8	<b>817</b>	<b>–</b>	<b>817</b>	(50)	–	(50)
<b>Loss for the period attributable to equity holders of the parent company</b>		<b>(2,381)</b>	<b>(7,193)</b>	<b>(9,574)</b>	(1,484)	(909)	(2,393)
<b>Underlying loss per share:</b>							
Basic	9	<b>(13.7)p</b>			(18.7)p		
Diluted	9	<b>(13.7)p</b>			(18.7)p		
<b>Total loss per share:</b>							
Basic	9			<b>(55.1)p</b>			(30.1)p
Diluted	9			<b>(55.1)p</b>			(30.1)p

\* Non-underlying items as disclosed in note 10 include restructuring costs, hedge ineffectiveness, impairment of assets, dilapidation costs and share-based payment costs, together with the associated tax impact.



# COMMENTARY ON THE CONSOLIDATED INCOME STATEMENT

## Overview

Revenue for the 14 months ended 31 May 2021 of £26.4m (Year ended 31 March 2020: £26.1m) represents a 14% reduction on a pro rata basis compared to the prior year, largely due to COVID-19 disruptions in our markets and the effect of the cancellation of all contracts by BorgWarner Turbo Systems Worldwide. Gross profit margin, defined as gross profit divided by revenue, decreased to 8.3% from 9.6% in 2020.

Underlying operating loss before tax increased to £2.9m (Year ended 31 March 2020: £1.1m) due to the impacts on the Group noted above.

Financing costs were £0.3m (Year ended 31 March 2020: £0.3m) representing a 14% reduction compared to prior year on a pro rata basis.

As a result of the above, the underlying loss before tax amounted to £3.2m (Year ended 31 March 2020: £1.4m loss).

The statutory loss before tax of £10.4m (Year ended 31 March 2020: £2.3m) reflected £7.2m of non-underlying items.

## Non-underlying items

Non-underlying items of £7.2m (Year ended 31 March 2020: £0.9m) include significant non-cash impairments associated with the cancellation of the BorgWarner contracts of £4.7m, restructuring costs of £1.3m, adviser costs of £0.5m and property dilapidation costs of £0.7m.

## Tax

The effective rate of taxation on a statutory basis was 8% compared to the mainstream corporation tax rate of 19%, primarily as a result of not recognising deferred tax on trading losses due to the inherent uncertainty surrounding future profitability.

## Diluted loss per share

Underlying diluted loss per share of 13.7p (Year ended 31 March 2020: 18.7p) reflects the increase in underlying loss attributable to shareholders and the increase in the weighted average number of shares in issue following the share placing and subscription in March 2021.

## Foreign exchange

It is the Group's policy to minimise risk arising from exchange rate movements affecting sales and purchases by economically hedging or netting currency exposures at the time of commitment, or when there is a high probability of future commitment, using forward exchange contracts. A proportion of forecast exposures are hedged depending on the level of confidence and hedging is topped up following regular reviews. On this basis up to 90% of the Group's annual exposures are likely to be hedged at any point in time and the Group's net transactional exposure to different currencies varies from time to time.

Approximately 43% of the Group's revenues in the 14 month period ended 31 May 2021 are denominated in Euros. This proportion of Euro revenues is expected to reduce significantly in the forthcoming financial year as BorgWarner revenues in the current period are not repeated. During the 14 months ended 31 May 2021, the average exchange rate used to translate into GBP Sterling was €1.13 (Year ended 31 March 2020: €1.15).

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 14 MONTHS ENDED 31 MAY 2021

	Notes	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Loss for the period		<b>(9,574)</b>	(2,393)
<b>Other comprehensive income/(expense)</b>			
Movements in fair value of cash flow hedges taken to other comprehensive income		<b>650</b>	(614)
Ineffective portion of movement in cash flow hedges recycled to income statement		<b>–</b>	138
Deferred tax on movement in cash flow hedges (including change in tax rate)	8	<b>(133)</b>	81
Net other comprehensive income/(expense) that may be recycled to profit and loss		<b>517</b>	(395)
Remeasurement gain on pension scheme assets and liabilities	20	<b>463</b>	460
Deferred tax on remeasurement gain on pension scheme (including change in tax rate)	8	<b>7</b>	(87)
Net other comprehensive income that will not be recycled to profit and loss		<b>470</b>	373
Other comprehensive income/(expense) for the period net of tax		<b>987</b>	(22)
<b>Total comprehensive expense for the period attributable to equity holders of the parent company</b>		<b>(8,587)</b>	(2,415)

# COMMENTARY ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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Accounting Standards require certain gains and losses on assets and liabilities, instead of being recorded in the Consolidated Income Statement, to be credited or charged to reserves and recorded in the consolidated statement of other comprehensive income. In accordance with the amendment to IAS 1, these items are now allocated between those items that may and those items that may not eventually be recycled to the Consolidated Income Statement.

The settlement of cash flow hedge derivatives, which are used to protect the Group from foreign exchange exposure are subject to marked to market valuations, with the effective portion of movements included within the consolidated statement of comprehensive income. These items (including the related taxation effect) amounted to a profit of £0.5m in the 14 months ended 31 May 2021 (Year ended 31 March 2020: loss of £0.4m).

Remeasurement gains and losses relating to the Group's defined benefit pension obligations are also booked to other comprehensive income. These are explained in detail in Note 20 in Section 5.



# CONSOLIDATED BALANCE SHEET

AT 31 MAY 2021

	Notes	31 May 2021 £000	31 March 2020 £000
<b>Non-current assets</b>			
Property, plant and equipment	11	2,431	7,209
Intangible assets	12	263	341
Deferred tax asset	16	1,206	611
		<b>3,900</b>	8,161
<b>Current assets</b>			
Inventories	13	1,698	2,589
Trade and other receivables	14	3,932	6,082
Cash at bank		1,038	457
		<b>6,668</b>	9,128
<b>Total assets</b>		<b>10,568</b>	17,289
<b>Current liabilities</b>			
Financial liabilities	15	1,715	3,028
Trade and other payables	15	8,031	7,481
		<b>9,746</b>	10,509
<b>Non current liabilities</b>			
Financial liabilities	16	1,158	2,037
Deferred tax	16	150	39
Provisions	16	890	200
Defined benefit pension scheme deficit	20	1,190	1,959
		<b>3,388</b>	4,235
<b>Total liabilities</b>		<b>13,134</b>	14,744
<b>Capital and reserves</b>			
Share capital	17	2,051	1,990
Share premium		4,720	1,269
Capital redemption reserve		109	109
Hedging reserve		218	(299)
Retained earnings		(9,664)	(524)
<b>Total equity</b>		<b>(2,566)</b>	2,545
<b>Total equity and liabilities</b>		<b>10,568</b>	17,289



KEVIN PRICE

DIRECTOR



ALAN TOMLINSON

DIRECTOR

The accounts were approved by the Board of Directors on 30 November 2021

# COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

## Property, plant and equipment (PPE)

The net book value of the Group's investment in PPE at 31 May 2021 was £2.4m (31 March 2020: £7.2m), with the reduction largely reflecting an impairment provision of £3.8m relating to assets in the Foundries division following the cancellation of all contracts by BorgWarner Turbo Systems Worldwide. Capital expenditure on PPE of £0.2m (31 March 2020: £0.3m) represented 17% (31 March 2020: 32%) of depreciation of £1.1m (31 March 2020: £1.0m).

## Working capital

Working capital, comprising inventories, trade and other receivables, and trade and other payables represented 9% of sales (31 March 2020: 5%) as at 31 May 2021.

Inventories have reduced to £1.7m at 31 May 2021 (31 March 2020: £2.6m) primarily as a result of an impairment of £0.7m relating to stock items associated with BorgWarner Turbo Systems Worldwide contracts that were cancelled during the period.

## Pensions

The Group has one defined benefit pension scheme. It is closed to future accrual, with the Group operating a defined contribution pension scheme for its current employees.

The deficit for the defined benefit pension scheme at 31 May 2021 reduced to £1.2m (31 March 2020: £2.0m) as significant asset return out-performance and changes in demographic assumptions out-weighed the increase in liabilities resulting from a reduction in bond yields and consequently the discount rate.

The Group's defined benefit pension scheme was closed to future accrual in 2007. The 31 March 2019 triennial valuation established that employer contributions are £0.30m for 2021, £0.33m for 2022 and £0.36m for 2023. The next triennial valuation is due as at 31 March 2022.

Administration costs of the defined benefit pension scheme were £0.2m in the 14 months ended 31 May 2021 (Year ended 31 March 2020: £0.2m), and are shown in other operating expenses. The Group cash contribution during the 14 months ended 31 May 2021 was £0.4m (Year ended 31 March 2020: £0.3m).

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE 14 MONTHS ENDED 31 MAY 2021

	Note	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Operating activities</b>			
<b>Loss for the period before tax</b>		<b>(10,391)</b>	(2,343)
<i>Adjustments to reconcile loss for the period to net cash (outflow)/inflow from operating activities:</i>			
Interest receivable		(13)	–
Finance costs	6	310	310
Impairment charge on property, plant and equipment, inventory and receivables	10	4,632	–
Dilapidations provision	10	690	–
Hedge ineffectiveness	10	–	138
Depreciation of property, plant and equipment	11	1,135	980
Amortisation of software	12	53	52
Amortisation of development costs	12	33	25
Loss/(profit) on disposal of property, plant and equipment		135	(12)
Foreign exchange rate movements		37	(91)
Share-based payments	10	41	59
Defined benefit pension contributions paid		(355)	(279)
Decrease in inventories		175	113
Decrease/(increase) in receivables		2,036	(95)
Increase in payables		1,009	2,265
Corporation tax received		129	424
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(344)</b>	1,546
<b>Investing activities</b>			
Purchase of property, plant and equipment	11	(183)	(316)
Purchase of software	12	(3)	(20)
Development costs	12	(5)	(30)
Disposal of plant and equipment		–	12
<b>Net cash outflow from investing activities</b>		<b>(191)</b>	(354)
<b>Financing activities</b>			
Interest received		13	–
Interest paid		(261)	(252)
Net invoice finance (outflow)/ inflow	25	(1,202)	279
New share capital issued	17	3,312	–
Proceeds from convertible loan	17	200	–
Principal element of lease payments	25	(946)	(1,066)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,116</b>	(1,039)
<b>Net increase in cash and cash equivalents</b>		<b>581</b>	153
<b>Cash and cash equivalents at the start of the period</b>		<b>457</b>	291
<b>Impact of foreign exchange rate movements</b>	25	<b>–</b>	13
<b>Cash and cash equivalents at the end of the year</b>	25	<b>1,038</b>	457
<b>Cash and cash equivalents comprise:</b>			
Cash at bank	25	1,038	457
		<b>1,038</b>	457

# COMMENTARY ON THE CONSOLIDATED CASH FLOW STATEMENT

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## Operating Cash Flow

Operating cash outflow was £0.3m (Year ended 31 March 2020: inflow of £1.5m) which includes £0.5m of cash payments relating to non-underlying adviser costs.

Cash spent on property, plant and equipment and capitalised software and development costs in the 14 month period ended 31 May 2021 was £0.2m (Year to 31 March 2020: £0.4m).

New equity raised of £3.3m relates to the share placing and subscription undertaken in March 2021 and is net of transaction costs of £0.2m.

Lease payments of £0.9m (Year ended 31 March 2020: £1.1m) primarily relate to assets at the Group's machining facility and were lower than the prior period due to a 6 month payment holiday agreed with HSBC during the height of the COVID-19 impact on the Group.

## Closing Net Debt

Net debt at 31 May 2021 decreased by £2.8m to £1.8m (31 March 2020: £4.6m) as a result of the equity raise in March 2021. The Group debt facility has two elements: a £3.5m invoice discounting facility limited to 90% of outstanding invoice value and lease liabilities of £2.2m. The invoice discounting facility has the following covenant at year-end, which was complied with:

Without prior written consent of HSBC, no dividends are payable in the period ended 31 May 2021, and in subsequent years, prior written consent of HSBC is required for the payment of any dividends in excess of 50% of net profit after tax.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Attributable to equity holders of the parent £000
Balance at 1 April 2019	1,990	1,269	109	96	1,404	<b>4,868</b>
Loss for the year	—	—	—	—	(2,393)	<b>(2,393)</b>
Other comprehensive (expense)/income for the year net of tax	—	—	—	(395)	373	<b>(22)</b>
Total comprehensive expense	—	—	—	(395)	(2,020)	<b>(2,415)</b>
Share-based payment	—	—	—	—	59	<b>59</b>
Deferred tax on share-based payment	—	—	—	—	33	<b>33</b>
Total of transactions with shareholders	—	—	—	—	92	<b>92</b>
Balance at 1 April 2020	1,990	1,269	109	(299)	(524)	<b>2,545</b>
Loss for the period	—	—	—	—	(9,574)	<b>(9,574)</b>
Other comprehensive income for the period net of tax	—	—	—	517	470	<b>987</b>
Total comprehensive income/(expense)	—	—	—	517	(9,104)	<b>(8,587)</b>
New share capital issued	61	3,451	—	—	—	<b>3,512</b>
Share-based payment	—	—	—	—	41	<b>41</b>
Deferred tax on share-based payment	—	—	—	—	(77)	<b>(77)</b>
Total of transactions with shareholders	<b>61</b>	<b>3,451</b>	<b>—</b>	<b>—</b>	<b>(36)</b>	<b>3,476</b>
<b>Balance at 31 May 2021</b>	<b>2,051</b>	<b>4,720</b>	<b>109</b>	<b>218</b>	<b>(9,664)</b>	<b>(2,566)</b>

# COMMENTARY ON CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## **Share premium account**

The share premium account balance includes the proceeds that were above the nominal value from issuance of the Company's equity share capital. Transaction costs directly associated with the share placing and subscription in March 2021 of £0.2m have been debited to share premium in the period.

## **Capital redemption reserve**

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

## **Hedging reserve**

The hedging reserve records the effective portion of the net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

## **Retained earnings**

Retained earnings include the accumulated profits and losses arising from the Consolidated Income Statement, certain items from the Statement of Comprehensive Income attributable to equity Shareholders and the share-based payment expense, less distributions to Shareholders.

# SECTION 1

## BASIS OF PREPARATION

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### **1 Authorisation of financial statements and statement of compliance with IFRS**

The Group and Company financial statements of Chamberlin Plc (the 'Company') for the 14 months ended 31 May 2021 were authorised for issue by the Board of Directors on 30 November 2021, and the balance sheets were signed on the Board's behalf by Kevin Price and Alan Tomlinson. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are admitted to trading on AIM, a market of the same name operated by the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework'.

### **2 New standards adopted**

There are no new accounting standards adopted in the year that have a material impact on the financial statements.

There are no new accounting standards effective in the next financial year that are expected to have a material impact on the financial statements.

## SECTION 2

### RESULTS OF THE PERIOD

#### 3 SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating divisions according to the nature of the products and services. Operating segments within those divisions are combined on the basis of their similar long-term characteristics and the similar nature of their products, services and end users as follows:

The Foundries segment supplies iron castings, in raw or machined form, to a variety of industrial customers who incorporate the castings into their own products or carry out further machining or assembly operations on the castings before selling them on to their customers.

The Engineering segment supplies manufactured products to distributors and end-users operating in hazardous area and industrial lighting markets.

Management monitors the operating results of its divisions separately for the purposes of making decisions about resource allocation and performance assessment. The Chief Operating Decision Maker is the Chief Executive.

##### (i) By operating segment

	Segmental revenue		Segmental operating profit/ (loss)	
	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Foundries	23,321	23,106	(1,931)	(84)
Engineering	3,123	3,037	191	(45)
<b>Segment results</b>	<b>26,444</b>	<b>26,143</b>	<b>(1,740)</b>	<b>(129)</b>
<b>Reconciliation of reported segmental operating profit/(loss)</b>				
Segment operating loss			(1,740)	(129)
Shared costs			(1,161)	(995)
Non-underlying costs (Note 10)			(7,193)	(909)
Net finance costs (net of interest receivable of £13,000)			(297)	(310)
Loss before tax			(10,391)	(2,343)
<b>Segmental assets</b>				
Foundries			7,211	14,974
Engineering			1,113	1,247
			<b>8,324</b>	<b>16,221</b>
<b>Segmental liabilities</b>				
Foundries			(7,674)	(6,880)
Engineering			(1,247)	(801)
			<b>(8,921)</b>	<b>(7,681)</b>
<b>Segmental (liabilities)/net assets</b>				
			<b>(597)</b>	<b>8,540</b>
Unallocated net liabilities			(1,969)	(5,995)
<b>Total net (liabilities)/net assets</b>			<b>(2,566)</b>	<b>2,545</b>

Unallocated net liabilities include the pension liability of £1,190,000 (2020: £1,959,000), net debt of £1,835,000 (2020: £4,608,000) less a net deferred tax asset of £1,056,000 (2020: £572,000).



## SECTION 2 CONTINUED

### RESULTS OF THE PERIOD

### 3 Segmental analysis continued

#### Capital expenditure, depreciation, amortisation and impairment

	Foundries		Engineering		Total	
	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Capital additions</b>						
Property, plant and equipment (Note 11)	177	426	20	–	197	426
Software (Note 12)	3	97	–	1	3	98
Development costs (Note 12)	–	–	5	30	5	30

	Foundries		Engineering		Total	
	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Depreciation, amortisation and impairment</b>						
Property, plant and equipment (Note 11)	(1,113)	(965)	(22)	(15)	(1,135)	(980)
Software (Note 12)	(47)	(45)	(6)	(7)	(53)	(52)
Development costs (Note 12)	–	–	(33)	(25)	(33)	(25)

In addition to the above, property, plant and equipment in the Foundries division was impaired by £3,809,000 (2020: Nil) as disclosed in Note 11.

#### (ii) Geographical information

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Revenue by location of customer</b>		
United Kingdom	13,944	9,008
Italy	1,351	2,051
Germany	2,595	2,602
Rest of Europe	7,425	11,863
Other countries	1,129	619
	<b>26,444</b>	<b>26,143</b>

The Group's assets and costs are all located within the United Kingdom.

The Group has one individual customer in Italy which represents 5% of Group revenue (2020: 8%).

### 4 Other operating expenses

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Distribution costs	573	386
Administration and selling expenses	4,510	3,249
Operating expenses before non-underlying items	5,083	3,635
Non-underlying items (Note 10)	7,193	909
Operating expenses	<b>12,276</b>	<b>4,544</b>

## 5 Staff numbers and costs

	14 months ended 31 May 2021 Number	Year ended 31 March 2020 Number
<b>The average number of people employed by the Group during the year was:</b>		
Management and administration	36	40
Production	206	229
Total employees	242	269

Aggregate employment costs, including redundancy, are disclosed below net of £1.4m of coronavirus job retention scheme receipts:

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Wages and salaries	9,156	8,707
Social security costs	1,035	1,056
Other pension costs (Note 20)	377	396
Share-based payment expense (Note 18)	41	59
	10,609	10,218

	14 months ended 31 May 2021 Number	Year ended 31 March 2020 Number
<b>The average number of people employed by the Company during the year was:</b>		
Management and administration	10	10

The aggregate employment costs, including redundancy, of these employees were as follows:

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Wages and salaries	931	818
Social security costs	111	95
Other pension costs	64	49
Share-based payment expense (Note 18)	41	59
	1,147	1,021

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Directors' remuneration summary</b>		
Directors' remuneration	787	477
Company contributions to money purchase pension scheme	69	36
Share-based payment charge of options granted to Directors (see Note 18)	41	59

	14 months ended 31 May 2021 Number	Year ended 31 March 2020 Number
Number of Directors accruing benefits under:		
Defined contribution pension schemes	2	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 20 to 21.

The total amount payable to the highest paid Director in respect of remuneration was £360,000 (2020: £223,000).

Company pension contributions of £34,000 (2020: £21,000) were made to a money purchase pension scheme on his behalf.

## SECTION 2 CONTINUED

### RESULTS OF THE PERIOD

#### 6 Finance costs

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Finance costs</b>		
Bank overdraft and invoice finance interest payable	(103)	(164)
Interest expense on lease liabilities and other interest payable	(158)	(88)
Finance cost of pensions (see Note 20)	(49)	(58)
	<b>(310)</b>	<b>(310)</b>

#### 7 Operating loss

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
This is stated after charging/(crediting):		
Loss/(profit) on disposal of fixed assets	135	(12)
Depreciation of owned assets	–	279
Amortisation of owned software	23	41
Depreciation of right-of-use assets		
Land and Buildings	100	88
Plant and Machinery	677	587
Motor Vehicles	16	26
Software	30	11
Impairment of fixed assets (Note 11)	3,809	–
Amortisation of development costs	33	25
Cost of inventories recognised as an expense	10,937	10,863
Exchange loss/(gain)	37	(91)
Auditor's remuneration:		
Group audit fees	65	73
Audit fees for statutory accounts of subsidiaries	83	30
Audit-related assurance services	–	7
Non-audit related services	–	–
Rentals under operating leases*:		
Hire of plant and equipment	134	92
Land and buildings	139	106

\* This is the expense for short-term low value leases excluded from IFRS 16 right-of-use assets.

#### 8 Taxation

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Current tax:</b>		
UK Corporation tax at 19% (2020: 19%)	–	–
Adjustments in respect of prior years	(129)	(259)
	<b>(129)</b>	<b>(259)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(391)	310
Adjustments in respect of prior years	(6)	41
Change in tax rate	(291)	(42)
	<b>(688)</b>	<b>309</b>
<b>Tax (credit)/expense reported in the Consolidated Income Statement</b>	<b>(817)</b>	<b>50</b>

## 8 Taxation *continued*

The corporation tax rate will increase to 25% from 1st April 2023, with the tax value of deferred tax assets and liabilities at the year end adjusted accordingly.

This increase in rate is not expected to have a material impact on the tax charge in future years.

No brought forward tax losses of the Group were utilised in the year (2020: £nil).

In addition to the amount charged to the consolidated income statement, tax movements recognised through other comprehensive income and equity were as follows:

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Current tax:</b>	–	–
<b>Deferred tax:</b>		
Retirement benefit obligation	88	87
Fair value movements on cash flow hedges	110	(81)
Change in tax rate	(72)	–
<b>Tax charge reported in the consolidated statement of comprehensive income</b>	<b>126</b>	<b>6</b>

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Current tax:</b>	–	–

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Deferred tax:</b>		
Share-based payment	77	(33)
<b>Tax charge/(credit) reported in the consolidated statement of changes in equity</b>	<b>77</b>	<b>(33)</b>

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Reconciliation of total tax charge</b>		
Loss on ordinary activities before tax	(10,391)	(2,343)
Corporation tax charge at standard rate of 19% (2020: 19%) on loss before tax	(1,974)	(445)
<i>Adjusted by the effects of:</i>		
Expenses not deductible	98	31
Unprovided deferred tax differences	1,449	724
Adjustments in respect of prior years	(135)	(218)
Rate differential on timing differences	(255)	(42)
<b>Total tax (credit)/expense reported in the consolidated income statement</b>	<b>(817)</b>	<b>50</b>

Unprovided deferred tax differences of £1,449,000 (2020: £756,000) include deferred tax not recognised of £1,512,000 on losses in the year.



## SECTION 2 CONTINUED

### RESULTS OF THE PERIOD

#### 9 Loss per share

The calculation of loss per share is based on the loss attributable to Shareholders and the weighted average number of ordinary shares in issue.

In calculating the diluted loss per share, adjustment has been made for the dilutive effect of outstanding share options where applicable. Underlying loss per share, which excludes non-underlying items as disclosed in Note 10 and defined in Note 26, has also been disclosed.

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Loss for basic earnings per share</b>	<b>(9,574)</b>	(2,393)
Non-underlying items (Note 10)	7,193	909
Taxation effect of the above	–	–
<b>Loss for underlying earnings per share</b>	<b>(2,381)</b>	(1,484)
<b>Underlying loss per share (pence):</b>		
Underlying	(13.7)	(18.7)
Diluted underlying	(13.7)	(18.7)
<b>Total loss per share (pence):</b>		
Basic	(55.1)	(30.1)
Diluted	(55.1)	(30.1)
	Number '000	Number '000
<b>Weighted average number of ordinary shares</b>	<b>17,387</b>	7,958
Adjustment to reflect shares under options	3,798	217
<b>Weighted average number of ordinary shares - fully diluted</b>	<b>21,185</b>	8,175

There is no adjustment in the diluted loss per share calculation for the 3,798,000 (2020: 217,000) shares under option as they are required to be excluded from the weighted average number of shares for diluted loss per share as they are anti-dilutive. The weighted average number of shares used in the fully diluted calculation is therefore 17,387,000 (2020: 7,958,000).

## 10 Non-underlying items

	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
Group reorganisation	1,310	712
Adviser costs relating to corporate restructuring	520	–
Hedge ineffectiveness	–	138
Impairment of property, plant & equipment	3,809	–
Impairment of inventory and receivables	823	–
Dilapidations provision	690	–
Share-based payment charge	41	59
Non-underlying operating costs	7,193	909
Taxation	–	–
– Tax effect of non-underlying costs	–	–
	<b>7,193</b>	<b>909</b>

As a result of the cancellation of all contracts by the Group's major customer, BorgWarner Turbo Systems Worldwide, announced on 16 December 2020, the Group embarked upon a significant restructuring programme to realign the cost base of the Foundry division to the reduced level of continuing revenue. Group reorganisation costs of £1,310,000, which include redundancy and associated costs, relate to this restructuring programme.

Following the cancellation of the Group's contracts by BorgWarner Turbo Systems Worldwide, the Group undertook a review of the carrying value of the assets in the Foundry division. This gave rise to an asset impairment charge of £4,601,000, of which £3,809,000 related to property, plant & equipment, £716,000 related to obsolete inventory and £107,000 related to irrecoverable receivables.

The dilapidations provision of £690,000 relates to the estimated costs for land and building leases that are nearing their end date.

The hedge ineffectiveness charge of £138,000 in 2020 arose from a short-term reduction in highly probable Euro denominated sales as a result of economic disruption to our customers caused by Covid-19.

The share-based payment charge in 2021 of £41,000 (2020: £59,000) relates to the fair value cost of share option schemes for the period.

## SECTION 3

### OPERATING ASSETS AND LIABILITIES

#### 11 Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 April 2019	6,156	23,184	146	29,486
Additions	147	258	21	426
Disposals	–	–	(13)	(13)
At 31 March 2020	6,303	23,442	154	29,899
Additions	51	146	–	197
Disposals	–	(132)	(11)	(143)
Reclassification	–	104	–	104
<b>At 31 May 2021</b>	<b>6,354</b>	<b>23,560</b>	<b>143</b>	<b>30,057</b>
<b>Depreciation/impairment</b>				
At 1 April 2019	3,859	17,755	103	21,717
Charge for year	219	735	26	980
Disposals	–	–	(7)	(7)
At 31 March 2020	4,078	18,490	122	22,690
Charge for period	227	892	16	1,135
Impairment charge	536	3,273	–	3,809
Disposals	–	–	(8)	(8)
<b>At 31 May 2021</b>	<b>4,841</b>	<b>22,655</b>	<b>130</b>	<b>27,626</b>
<b>Net book value</b>				
<b>At 31 May 2021</b>	<b>1,513</b>	<b>905</b>	<b>13</b>	<b>2,431</b>
At 31 March 2020	2,225	4,952	32	7,209
At 1 April 2019	2,297	5,429	43	7,769

#### Net book value of land and buildings comprises:

	2021 £000	2020 £000
Freehold	1,513	2,209
Short leasehold (leasehold improvements)	–	16
	<b>1,513</b>	<b>2,225</b>

#### Right-of-use assets net book value included in the above comprise:

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
At 31st March 2020	545	4,029	32	4,606
<b>At 31st May 2021</b>	<b>–</b>	<b>204</b>	<b>13</b>	<b>217</b>

Additions of £14,000 included within plant and machinery additions of £146,000 relate to right-of-use assets. The depreciation charge for the period for right-of-use assets is disclosed in Note 7. The impairment charge for the period of £3,809,000 includes the impairment of right-of-use land and buildings of £445,000 and right-of-use plant and machinery of £3,152,000.

## 11 Property, plant and equipment *continued*

The maturity analysis of lease liabilities associated with right-of-use assets is disclosed in Note 23. The interest cost and the cash flows associated with these lease liabilities are disclosed in Note 6 and the consolidated cash flow statement respectively.

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At 1 April 2019	1,670	98	122	1,890
Additions	–	17	21	38
Disposals	–	–	(13)	(13)
At 31st March 2020	1,670	115	130	1,915
Additions	–	15	–	15
Disposals	–	–	(10)	(10)
<b>At 31st May 2021</b>	<b>1,670</b>	<b>130</b>	<b>120</b>	<b>1,920</b>

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Depreciation</i>				
At 1 April 2019	952	80	79	1,111
Charge for year	27	7	26	60
Disposals	–	–	(7)	(7)
At 31st March 2020	979	87	98	1,164
Charge for period	32	14	16	62
Disposals	–	–	(8)	(8)
<b>At 31st May 2021</b>	<b>1,011</b>	<b>101</b>	<b>106</b>	<b>1,218</b>
<i>Net book value</i>				
<b>At 31 May 2021</b>	<b>659</b>	<b>29</b>	<b>14</b>	<b>702</b>
At 31 March 2020	691	28	32	751
At 1 April 2019	718	18	43	779

The net book value of motor vehicles in the Company of £14,000 (2020: £32,000) relates entirely to right-of-use assets under lease.

	Group £000	Company £000
Freehold land included above not subject to depreciation amounted to:		
<b>2021</b>	<b>275</b>	<b>275</b>
2020	275	275



## SECTION 3 CONTINUED

### OPERATING ASSETS AND LIABILITIES

#### 11 Property, plant and equipment continued

##### Impairment testing

The Group has identified indications of impairment at one of its cash-generating units (CGUs) within the Foundry segment and as such has performed an impairment review of the carrying value of the property, plant and equipment and intangible assets relating to that CGU. The cancellation of contracts by a major customer, BorgWarner Turbo Systems Worldwide, is the principal indicator that has led to the impairment review being performed.

Impairment has been assessed by comparing the book value of assets against their recoverable amounts. The recoverable amount of a CGU's assets is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cashflow projections from the two year financial plan approved by the Board. BorgWarner Turbo Systems Worldwide was the sole customer of the CGU subject to the impairment review and consequently future profitability is entirely dependent upon winning new contracts. The projected cashflows reflect the latest expectations of demand for products in years one and two and are extrapolated into the future using a 5.0% growth rate that management believe could be achieved as efforts continue to replace lost BorgWarner Turbo Systems Worldwide revenue. The projected cashflows indicate that the CGU is likely to remain loss-making until annual revenue exceeds £800,000. The key sensitivities around these projections are the return of sales volumes from new contract wins and the full fruition of cost-saving initiatives. In light of the adverse impact that Covid-19 is currently having on market conditions and the uncertainty surrounding the extent and timing of a future economic recovery in the Group's UK and worldwide markets, the Board have applied conservative assumptions in relation to the speed at which break-even revenue of £800,000 could be achieved.

Based on the assumptions noted above, including the conservative sales growth assumptions arising from Covid-19 induced uncertainty, the Board concluded that the recoverable amount of the CGU was lower than the book value of the CGU's assets and as such an impairment charge of £3,809,000 is deemed necessary.

#### 12 Intangible assets

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Software	199	249	11	22
Development costs	64	92	–	–
	263	341	11	22

	Group £000	Company £000
<b>Software</b>		
Cost		
At 1st April 2019	975	27
Additions	98	25
At 31st March 2020	1,073	52
Additions	3	–
<b>At 31st May 2021</b>	<b>1,076</b>	<b>52</b>
Amortisation/ impairment		
At 1st April 2019	772	25
Charge for the year	52	5
At 31st March 2020	824	30
Charge for period	53	11
<b>At 31st May 2021</b>	<b>877</b>	<b>41</b>
Net book value		
<b>At 31st May 2021</b>	<b>199</b>	<b>11</b>
At 31st March 2020	249	22
At 1st April 2019	203	2

## 12 Intangible assets *continued*

Software has an estimated useful life of between three and ten years.

In the Group, software includes right-of-use assets with a net book value of £35,000 (2020: £67,000) relating to assets held under leases. The depreciation charge for the period in respect of right-of-use assets is disclosed in Note 7. There were no additions in the year relating to right-of-use assets.

In the Company, software includes right-of-use assets with a net book value of £9,000 (2020: £16,000) relating to assets held under leases. The depreciation charge for the period in respect of right-of-use assets was £7,000 (2020: £3,000). There were no additions in the year relating to right-of-use assets.

	Group £000	Company £000
<b>Development costs capitalised</b>		
<i>Cost</i>		
At 1st April 2019	360	–
Additions	30	–
At 31st March 2020	390	–
Additions	5	–
<b>At 31st May 2021</b>	<b>395</b>	<b>–</b>
<i>Amortisation/impairment</i>		
At 1st April 2019	273	–
Charge for year	25	–
At 31st March 2020	298	–
Charge for period	33	–
<b>At 31st May 2021</b>	<b>331</b>	<b>–</b>
<i>Net book value</i>		
<b>At 31st May 2021</b>	<b>64</b>	<b>–</b>
At 31st March 2020	92	–
At 1st April 2019	87	–

Development costs capitalised relate to specific major projects which result in an asset being created which is then amortised over the primary income-generating period of the associated product. For the above items this has been estimated at five years from the commencement of commercial sales.

## 13 Inventories

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Raw materials	749	811	–	–
Work in progress	618	696	–	–
Finished goods	331	1,082	–	–
	<b>1,698</b>	<b>2,589</b>	<b>–</b>	<b>–</b>

Stock recognised in cost of sales during the period as an expense was £10,937,000 (2020: £10,863,000).

The impairment charge for stock during the year was £910,000 (2020: £25,000), of which £716,000 arose from an obsolescence review following the cancellation of contracts by a major customer, BorgWarner Turbo Systems Worldwide.

## SECTION 3 CONTINUED

### OPERATING ASSETS AND LIABILITIES

#### 14 Trade and other receivables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	3,009	5,222	4	12
Amounts due from subsidiary undertakings	–	–	505	3,696
Other receivables	553	411	64	133
Corporation tax	129	–	–	–
Fair value of derivative forward contracts	156	–	–	–
Prepayments	85	449	10	15
	3,932	6,082	583	3,856

Invoice finance liabilities are directly secured against the trade receivables of the Group. The Group retains the risk and rewards, such as default, associated with the holding of trade receivables. The Group has trade receivables as at 31st May 2021 of £3,009,000 (2020: £5,222,000) against which an invoice finance liability of £665,000 (2020: £1,925,000) was secured. The total available invoice finance facility as at 31st May 2021 was £3,500,000 (2020: £6,000,000).

Trade receivables are denominated in the following currencies:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Sterling	2,293	2,080	4	12
Euro	716	3,142	–	–
US dollar	–	–	–	–
	3,009	5,222	4	12

Out of the carrying amount of trade receivables of £3,009,000 (2020: £5,222,000), £1,530,000 (2020: £3,708,000) is against five major customers. Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days and are shown net of a provision for impairment. As at 31st May 2021, trade receivables at a nominal value of £255,000 (2020: £219,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
At 1 April 2020	219	345	–	–
Charge for period	48	17	–	–
Amounts written off	–	(143)	–	–
Amounts recovered	(12)	–	–	–
<b>At 31 May 2021</b>	<b>255</b>	<b>219</b>	<b>–</b>	<b>–</b>

The analysis of trade receivables that were past due but not impaired at 31 May 2021 is as follows:

	Neither past due nor impaired		Past due				
	Total £000	£000	<30 days £000	30–60 days £000	60–90 days £000	90–120 days £000	>120 days £000
<b>Gross trade receivables</b>	<b>3,264</b>	<b>2,984</b>	<b>4</b>	<b>226</b>	<b>43</b>	<b>7</b>	<b>–</b>
Expected credit losses	(255)	–	–	(205)	(43)	(7)	–
<b>Net trade receivables</b>	<b>3,009</b>	<b>2,984</b>	<b>4</b>	<b>21</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### 14 Trade and other receivables *continued*

The Group ensures that the provision of credit to customers is adequately managed by each individual business in order that the risk of non-payment or delayed payment is minimised. The Group's exposure to risk is influenced mainly by the individual characteristics of each customer, the industry and country in which customers operate. The Group has a diversified base of customers and has written credit control policies which cover procedures for accepting new customers, setting credit limits, dealing with overdue amounts and delinquent payers. An impairment loss provision against trade receivables is created where it is anticipated that the value of trade receivables is not fully recoverable.

In the Company, amounts due from subsidiary companies are interest free and repayable on demand. An impairment charge of £3,281,000 (2020: Nil) was recognised in the period in relation to these receivables.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Income taxes receivable</b>				
UK corporation tax	129	—	—	—

#### 15 Current liabilities

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Financial liabilities</b>				
Bank overdraft	—	—	45	1,654
Invoice finance facility	665	1,925	—	—
Lease liabilities	1,050	1,103	33	38
	<b>1,715</b>	<b>3,028</b>	<b>78</b>	<b>1,692</b>

The Group has no net overdraft facility. However, under the terms of the Group's banking arrangements, individual companies within the Group are permitted to have an overdraft position, provided the Group's net position is cash positive.

Lease liabilities are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a maximum period of four years to February 2025. Interest is payable at fixed amounts that range between 3.1% and 9.4%.

Invoice finance balances are secured by a fixed and floating charge over the assets of the Group and are repayable on demand. Interest is payable at 2.75% over base rate. The maximum facility as at 31st May 2021 was £3,500,000 (2020: £6,000,000).

Management has assessed the treatment of the financing arrangements and has determined it is appropriate to recognise trade receivables and invoice finance liabilities separately.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Trade and other payables</b>				
Trade payables	2,402	3,730	171	126
Amounts owed to other Group companies	—	—	455	470
Other taxation and social security	1,991	708	81	28
Other payables	922	1,931	356	257
Accruals	2,716	617	382	115
Fair value of derivative forward contracts	—	495	—	—
	<b>8,031</b>	<b>7,481</b>	<b>1,445</b>	<b>996</b>

Trade payables are non-interest bearing and are normally on terms of 30 to 60 days.

## SECTION 3 CONTINUED

### OPERATING ASSETS AND LIABILITIES

#### 16 Non-current liabilities

	Group		Company	
Financial liabilities	2021 £000	2020 £000	2021 £000	2020 £000
Lease liabilities	1,158	2,037	27	57

Lease liabilities are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a period of up to four (2020: five) years to February 2025. £655,000 is repayable in one to two years (2020: £1,071,000) and £503,000 within two to five years (2020: £966,000).

Interest is payable at a fixed amount that ranges between 3.1% and 9.4%.

Provisions for liabilities	Dilapidations £000
As at 1st April 2020	200
Charge for the period	690
<b>As at 31st May 2021</b>	<b>890</b>

#### Dilapidations

The dilapidation provision relates to expected future lease dilapidations and £700,000 is expected to be utilised within 1-2 years and £190,000 within 4-5 years.

	Group		Company	
Deferred tax liabilities	2021 £000	2020 £000	2021 £000	2020 £000
Deferred taxation	150	39	77	—
<b>Group liabilities</b>			<b>2021 £000</b>	<b>2020 £000</b>
Temporary differences relating to share options			77	—
Fair value hedges			73	—
Temporary differences relating to capital allowances			—	39
			<b>150</b>	<b>39</b>



**16 Non-current liabilities** *continued*

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Deferred tax assets</b>				
Temporary differences relating to capital allowances	753	—	10	7
Temporary differences relating to pension scheme deficit	297	333	298	333
Temporary differences relating to cash flow hedges	—	61	—	—
Other temporary differences	156	217	147	212
	<b>1,206</b>	611	<b>455</b>	552

The tax value of Group trading losses carried forward for which a deferred tax asset has not been recognised total £3,974,000 (2020: £1,345,000).

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. The Group has assessed that it is probable that future profits will fully utilise current tax losses and other deductible temporary differences. Deferred tax assets relating to the pension scheme deficit are expected to be recovered over the period that contributions are made into the scheme, including the agreed contributions to April 2032. The deferred tax assets have been assessed as recoverable against forecasts of future taxable profits.

All deferred tax assets are recoverable, and deferred tax liabilities will be settled, in greater than one year.

Of the total deferred tax credit of £485,000 (2020: charge of £282,000), a credit of £688,000 (2020: charge of £309,000) was recognised within the Consolidated Income Statement, a charge of £126,000 (2020: £6,000) was recognised within other comprehensive income and a charge of £77,000 (2020: credit of £33,000) recognised within the Consolidated Statement of Changes in Equity.

## SECTION 4

### CAPITAL STRUCTURE

#### 17 Share capital

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
69,624,792 (2020: 7,958,126) Ordinary shares of 0.1p	69	8
7,958,126 (2020: 7,958,126) Deferred shares of 24.9p	1,982	1,982
	<b>2,051</b>	<b>1,990</b>

On 8 March 2021, a general meeting of the company approved the sub-division of the existing ordinary shares of 25p into ordinary shares of 0.1p and deferred shares of 24.9p.

The rights attaching to the new ordinary shares of 0.1p are identical to those of the existing ordinary shares of 25p. Holders of the deferred shares of 24.9p are only entitled to the amount paid up on those shares and have no other rights to participate in the assets of the Company.

Following the sub-division of the share capital on 8 March 2021, a £200,000 convertible loan received on 19 February 2021 from Trevor Brown was converted into 3,333,333 ordinary shares of 0.1p at a subscription price of 6p each.

On 29 March 2021, the Company issued 58,333,333 ordinary shares of 0.1p each at a subscription price of 6p each following a share placing and subscription that raised gross proceeds (before transaction costs of £0.2m) of £3.5 million.

During the year no shares (2020: none) were issued to Directors to satisfy share options at nil (2020: nil) cost.

On 13 May 2021, options over 3,581,314 ordinary shares of 0.1p were granted to certain Directors and senior management under the Chamberlin Performance Share Plan.

#### 18 Share-based payments

Details of the equity settled scheme used to incentivise the Directors of the Group are set out in the Remuneration Committee Report on page 21.

Under all schemes, options lapse if the employee leaves the Group, subject to certain exceptions set out in the scheme rules.

Due to the small number of individual grants made, each individual option is priced using the Black-Scholes pricing model, rather than applying the model to weighted average figures for options granted in each year.

Relevant options outstanding during the period were as follows:

	No. of options	Weighted average Exercise price (p)	Remaining contractual life (years)
At 1st April 2019	423,979	62.1	8.5
Lapsed	(207,363)	25.0	6.5
At 1st April 2020	216,616	97.5	8.3
Granted	3,581,314	6.0	10.0
<b>At 31 May 2021</b>	<b>3,797,930</b>	<b>11.2</b>	<b>9.9</b>

Options over 3,581,314 ordinary shares of 0.1p were granted to Directors and senior management on 13 May 2021 under the Chamberlin Performance Share Plan. The fair value of options granted in the year was 5.6p per share calculated using a Black-Scholes model and the following assumptions:

Share price at date of grant	10.1p
Volatility	58%
Risk free rate	0.88%
Dividend yield	0%

No share options were exercised during the current or prior period.

## 19 Fixed asset investments

	£000
<b>Shares in subsidiary undertakings</b>	
<b>Cost as at 1 April 2019, 1 April 2020 and 31 May 2021</b>	<b>6,155</b>
Impairment	
At 1 April 2019	3,260
Impairment charge	1,079
At 31 March 2020	4,339
Impairment charge	357
<b>At 31 May 2021</b>	<b>4,696</b>
Net book value	
<b>At 31 May 2021</b>	<b>1,459</b>
At 31 March 2020	1,816
At 1 April 2019	2,895

### Wholly owned operating subsidiaries

Chamberlin & Hill Castings Ltd  
 Russell Ductile Castings Ltd  
 Petrel Ltd  
 Chamberlin Foundry Ltd

### Principal activity

Manufacture and sale of engineering castings  
 Manufacture and sale of engineering castings  
 Manufacture and sale of lighting, and electrical installation products  
 Intermediary holding company

### Wholly owned dormant subsidiaries

Chamberlin Group Ltd  
 Chamberlin & Hill Ltd  
 Ductile Castings Ltd  
 Fred Duncombe Ltd  
 Fitter & Poulton Ltd  
 Webb Lloyd Ltd

The Company owns 100% of the issued ordinary share capital of the above companies, all of whom have their registered office as Chuckery Road, Walsall, WS1 2DU and operate principally in England and Wales.

## SECTION 5

### OTHER SUPPORTING NOTES

#### 20 Pension arrangements

During the year, the Group operated funded defined benefit and defined contribution pension schemes for the majority of its employees in the UK, these being established under trusts with the assets held separately from those of the Group. The pension operating cost for the Group defined benefit scheme for 2021 was £236,000 (2020: £199,000), with the increase being due to costs associated with the triennial valuation, together with £49,000 of financing cost (2020: £58,000).

The other scheme within the Group is a defined contribution scheme and the pension cost represents contributions payable.

The total cost of the defined contribution scheme was £377,000 (2020: £396,000). The notes below relate to the defined benefit scheme.

The actuarial liabilities have been calculated using the Projected Unit method. The major assumptions used by the actuary were (in nominal terms):

	At 31st May 2021	At 31st March 2020	At 31st March 2019
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase of pensions in payment - post 1997 accrual only	3.1%	2.6%	3.2%
Discount rate	1.85%	2.3%	2.3%
Inflation assumption - RPI	3.2%	2.6%	3.3%
Inflation assumption - CPI	2.5%	1.7%	2.3%

Demographic assumptions are all based on the S3PA (2020: S3PA) mortality tables with a 1.25% annual increase. The post retirement mortality assumptions allow for expected increases in longevity. The current disclosures relate to assumptions based on longevity in years following retirement as of the balance sheet date, with future pensioners relating to an employee retiring in 2032.

	2021 Years	2020 Years
Current pensioners at 65		
– Male	20.5	21.0
– Female	22.9	23.2
Future pensioners at 65		
– Male	21.3	21.9
– Female	24.0	24.3

The scheme was closed to future accrual with effect from 30th November 2007, after which the Company's regular contribution rate reduced to zero (previously the rate had been 9.1% of members' pensionable salaries).

The contributions expected to be paid during the year to 31 May 2022 are £335,000. Apart from this amount there are no other minimum funding requirements.

The latest triennial valuation was completed as at 31 March 2019 and concluded that company contributions would increase to £300,000 for the year ended 31 March 2021, £330,000 for the year ended 31 March 2022 and £360,000 for the year ended 31 March 2023, with the deficit reduction period reducing to 2032. The Company has given security over the Group's land and buildings to the pension scheme. There will be a further triennial review with effect from 31 March 2022, which will establish future deficit payments.

## 20 Pension arrangements *continued*

The scheme assets are stated at the market values at the respective balance sheet dates. The assets and liabilities of the scheme were:

	2021 £000	2020 £000
Equities/diversified growth fund	5,273	12,534
Bonds	–	1,565
Liability Driven Investments	2,993	–
Buy and Maintain Credit	2,211	–
Multi-Sector Credit	4,962	–
Insured pensioner assets	21	24
Cash	141	415
Market value of assets	15,601	14,538
Actuarial value of liability	(16,791)	(16,497)
Scheme deficit	(1,190)	(1,959)
Related deferred tax asset	297	333
Net pension liability	(893)	(1,626)

Due to the nature of the investments held, the scheme is subject to normal market risks that affect the world's stock markets, and in particular the UK market.

	2021 £000	2020 £000
<b>Net benefit expense recognised in profit and loss</b>		
Net interest cost	(49)	(58)
<b>Net interest expense</b>	<b>(49)</b>	<b>(58)</b>

	2021 £000	2020 £000
<b>Remeasurement losses/ (gains) in other comprehensive income</b>		
Actuarial losses/(gains) arising from changes in financial assumptions	1,510	(593)
Actuarial gains arising from changes in demographic assumptions	(429)	(244)
Experience adjustments	171	(931)
(Return)/loss on assets (excluding interest income)	(1,715)	1,308
<b>Total remeasurement gain shown in other comprehensive income</b>	<b>(463)</b>	<b>(460)</b>

	2021 £000	2020 £000
<b>Actual return/(loss) on plan assets</b>	<b>2,092</b>	<b>(946)</b>



## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

#### 20 Pension arrangements continued

	2021 £000	2020 £000
<b>Movement in deficit during the period</b>		
Deficit in scheme at beginning of period	(1,959)	(2,640)
<i>Movement in period:</i>		
Employer contributions	355	279
Net interest expense	(49)	(58)
Actuarial gain	463	460
<b>Deficit in scheme at end of period</b>	<b>(1,190)</b>	<b>(1,959)</b>

	2021 £000	2020 £000
<b>Movement in scheme assets</b>		
Fair value at beginning of period	14,538	16,065
Interest income on scheme assets	377	362
Return on assets (excluding interest income)	1,715	(1,308)
Employer contributions	355	279
Benefits paid	(1,384)	(860)
<b>Fair value at end of period</b>	<b>15,601</b>	<b>14,538</b>

	2021 £000	2020 £000
<b>Movement in scheme liabilities</b>		
Benefit obligation at start of period	16,497	18,705
Interest cost	426	420
Actuarial (gains)/losses arising from changes in financial assumptions	1,510	(593)
Actuarial gains arising from changes in demographic assumptions	(429)	(244)
Experience adjustments	171	(931)
Benefits paid	(1,384)	(860)
<b>Benefit obligation at end of period</b>	<b>16,791</b>	<b>16,497</b>

The weighted average duration of the pension scheme liabilities is 13 years (2020: 13 years).

A quantitative sensitivity analysis for significant assumptions as at 31 May 2021 is as shown below:

	2021 £000
<b>Present value of scheme liabilities when changing the following assumptions:</b>	
Discount rate increased by 1% p.a.	14,859
RPI and CPI increased by 1% p.a.	17,705
Mortality - members assumed to be their actual age as opposed to one year older	17,653

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the year.

## 21 Contingent liabilities

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's bank overdrafts, asset finance loans and invoice finance facilities. The total borrowings of the subsidiaries at 31 May 2021 amounted to £2,927,000 (2020: £4,970,000).

## 22 Financial commitments

	Group		Company	
Capital expenditure	2021 £000	2020 £000	2021 £000	2020 £000
Contracted for but not provided in the accounts	–	14	–	–

Capital commitments in 2020 relate to office equipment replacements.

### Lease commitments

The Group had total outstanding commitments under operating leases as follows:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Future minimum payments due:				
Not later than one year	31	149	31	35
After one year but not more than five years	11	60	11	44
After five years	–	–	–	–
	42	209	42	79

Lease commitments disclosed above relate to short-term property leases and low value leases excluded from IFRS 16 'Right-of-use assets'. Leases commitments in 2020 include the premises of Petrel Limited (£114,000 per annum with an end date of 20th May 2021).

## 23 Derivatives and financial risk management

The Group considers the use of derivatives to reduce financial risk in a number of areas noted below.

The only area where the use of derivatives is considered appropriate at present is that of currency risk.

The carrying amount of financial assets and financial liabilities are not materially different to their fair value.

### Currency risk

The Group's functional currency is sterling. Prior to the loss of the contracts from BorgWarner Turbo Systems Worldwide, approximately 63% of revenues were denominated in foreign currencies, principally euros in relation to castings exports. In order to reduce the Group's exposure to currency fluctuations, a proportion of forecast exposures are hedged depending on the level of confidence and hedging is adjusted following regular reviews. Following the loss of the BorgWarner Turbo Systems Worldwide revenue, which was predominantly denominated in euros, future euro denominated revenue is expected to represent between 15% and 20% of Group revenue. Consequently, the hedging position has been adjusted during the period to reflect this lower level of euro denominated revenue. At 31 May 2021, the Group had forward currency hedging contracts in place representing approximately 70% of highly probable revenue forecasts over the next 10 months. At 31 May 2021 there were net monetary liabilities denominated in euros of £51,000 (2020: assets of £1,108,000). A proportion of the Group's financial liabilities are denominated in euros, reducing the currency risk of the Group. With approximately 70% of euro debtors hedged, the impact on net monetary assets of a 5% exchange rate change in the euro/sterling exchange rate would not be material to the profit and loss.

The terms of the forward currency hedging contracts have been aligned with the terms of the commitments and the cash flow hedges of expected future sales were assessed to be highly effective.

## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

#### 23 Derivatives and financial risk management continued

Forward currency contracts for the net sale of euros outstanding at the period end have been recorded at fair value with the movement being recognised directly in other comprehensive income through the Consolidated Statement of Comprehensive Income. If these contracts were not in place and the euro/sterling exchange rate moved by plus or minus 5% the corresponding gain/loss to equity would be £48,000 (2020: £936,000).

	Contracted amount (£000)	Weighted average contract rate	Contracted amount £000	Contracted amount at year end rate £000	Unrealised gain/(loss) £000
<b>At 31 May 2021</b>					
– Sell contracts	6,340	1.133	5,597	5,453	144
– Buy contracts	(5,345)	1.166	(4,583)	(4,597)	14
– Net sell contracts	995	0.982	1,014	856	158
At 31 March 2020	21,605	1.154	18,717	19,228	(511)

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

All derivative financial assets and liabilities are valued by Level 2 techniques. The fair values of short term receivables, short-term payables, and the invoice finance facility and overdraft (both of which are repayable on demand) are not disclosed, as permitted by IFRS 7, where the carrying amount is a reasonable approximation to fair value.

The Group's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Group Finance Director and the Audit Committee. Valuation processes and fair value changes are discussed among the Audit Committee and the valuation team at least every year, in line with the Group's reporting dates. The following valuation techniques are used for instruments categorised in Level 2.

Foreign currency forward contracts (Level 2) - the Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

#### Interest rate risk

The Group has asset finance loans and an invoice finance facility. Exposure to interest rate risk is considered to be low and no derivatives are used to modify the Group's interest rate risk profile. The impact of a 50 basis point increase in UK interest rates would be a £3,000 reduction in profit before tax (2020: £10,000). An equivalent decrease in rates would increase profit before tax by £3,000 (2020: £10,000).

An analysis of interest bearing financial assets and liabilities is given below.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Financial liabilities</b>				
Bank overdraft (sterling denominated)	–	–	(45)	(1,654)
Invoice finance (sterling denominated)	14	(198)	–	–
Invoice finance (euro denominated)	(679)	(1,727)	–	–
Lease liabilities (sterling denominated)	(2,208)	(3,140)	(60)	(95)
	<b>(2,873)</b>	<b>(5,065)</b>	<b>(105)</b>	<b>(1,749)</b>

## 23 Derivatives and financial risk management *continued*

Balances relating to the bank overdraft and invoice finance liabilities are subject to floating rates of interest whilst balance relating to lease liabilities are subject to fixed rates of interest.

### Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 14.

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of the instrument.

The bad debt charge for the period was £48,000 (2020: £17,000).

### Liquidity risk

The Group aims to mitigate liquidity risk by managing the cash generation of its operating units, and applying cash generation targets across the Group. Investment is carefully controlled, with authorisation limits operating up to Group Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating and operate within its existing facilities. There are no material differences between the fair values and carrying values of the financial assets and liabilities.

The Group's funding strategy is to maintain flexibility in managing its day-to-day working capital needs through the use of an invoice finance facility, which is subject to a dividend covenant, and to fund acquisitions and significant capital projects through the use of longer-term funding, including bank loans, hire purchase and equity. The Group's £3.5m invoice finance facility is ongoing, as discussed in the commentary on the Consolidated Cash Flow Statement on page 35.

The carrying value of the Group's financial assets and liabilities is considered to be the same as the fair value.

The table below summarises the maturity profile of the Group's financial assets and liabilities, which are all classified as Level 2, at 31 May 2021 and 31 March 2020.

	On demand	Less than one year	One to two years	Two to five years	Total
<b>At 31 May 2021</b>					
Financial assets					
Trade receivables	3,009	–	–	–	3,009
Non-derivative financial liabilities					
Invoice finance	665	–	–	–	665
Lease liabilities, including interest	–	1,191	784	621	2,596
Trade payables	–	2,402	–	–	2,402
	665	3,593	784	621	5,663
<b>At 31 March 2020</b>					
Financial assets					
Trade receivables	5,222	–	–	–	5,222
Non-derivative financial liabilities					
Invoice finance	1,925	–	–	–	1,925
Lease liabilities, including interest	–	1,244	1,200	1,080	3,524
Trade payables	–	3,730	–	–	3,730
	1,925	4,974	1,200	1,080	9,179

## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

#### 23 Derivatives and financial risk management continued

The gross undiscounted future cashflows are analysed as follows:

	On demand	Less than one year	One to two years	Two to five years	Total
<b>At 31st May 2021</b>					
Foreign exchange forward contracts	–	1,014	–	–	1,014
	<b>–</b>	<b>1,014</b>	<b>–</b>	<b>–</b>	<b>1,014</b>

The outflows above relate to the settlement of the derivative contracts which are a fair value asset at the period end as disclosed in Note 14.

#### At 31st March 2020

Foreign exchange forward contracts	–	13,445	5,226	–	18,671
	<b>–</b>	<b>13,445</b>	<b>5,226</b>	<b>–</b>	<b>18,671</b>

The Company's financial liabilities comprise a bank overdraft of £45,000 (2020: £1,654,000) and is payable on demand, and lease liabilities of £60,000 (2020: £95,000)

#### Capital management

The Group defines capital as the total equity of the Group, which at the year end is negative £2,566,000 (2020: £2,545,000) largely due to the non-cash impairment charges taken in the period. The Group objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term shareholder value. There are no financial covenant restrictions on the Group's overdraft facility, invoice finance facility or asset loans. The Company will be holding a General Meeting on 5 January 2022 to consider whether any, and if so what, steps should be taken to address the serious loss of capital. Further details can be found on page 85.

## 24 Related party transactions

### Group

All transactions between the parent company and subsidiary companies have been eliminated on preparation of the consolidated accounts. The Group has not entered into any other related party transactions.

### Company

The Company provides certain management services to subsidiary companies.

Certain payments in relation to items settled or provided on a central basis, principally corporation tax and insurance payments, are made by the Company and are then recharged to subsidiaries at cost.

### Compensation of key management personnel (including Directors)

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Short-term employee benefits (including employer's NI)	1,269	1,100	681	538
Termination costs (including employer's NI)	371	141	209	–
Share-based payments	41	59	41	59
Pension contributions	99	65	69	36
	1,780	1,365	1,000	633

Key management, other than Directors of the Company, comprise the Managing Directors and Finance Directors of the main operating subsidiaries and are included in the Group figures above.

Details of key management share options are disclosed in Note 18.

On 8 March 2021, Trevor Brown was appointed as a Non-Executive Director and on the same day, a £200,000 convertible loan provided by Trevor Brown in February 2021 was converted into 3,333,333 ordinary shares of 0.1p.

On 29 March 2021, Trevor Brown and Keith Butler-Wheelhouse acquired 17,500,000 and 500,000 ordinary shares of 0.1p as part of the share placing and subscription that raised £3.5m of equity for the Company. Further details of Directors' shareholdings can be found in the Directors' Report on page 23.

## 25 Net Debt

	Net overdraft/ (cash at bank) £000	Invoice finance £000	Lease Liabilities £000	Total £000
At 1 April 2019	(291)	1,628	4,021	5,358
Cashflow	(154)	279	(1,066)	(941)
New finance leases in the year	–	–	185	185
Impact of foreign exchange rates	(12)	18	–	6
At 1 April 2020	(457)	1,925	3,140	4,608
Cashflow	(581)	(1,202)	(946)	(2,729)
New finance leases in the year	–	–	14	14
Impact of foreign exchange rates	–	(58)	–	(58)
<b>At 31 May 2021</b>	<b>(1,038)</b>	<b>665</b>	<b>2,208</b>	<b>1,835</b>
<b>Balances comprise:</b>				
Current assets	(1,038)	–	–	(1,038)
Current liabilities	–	665	1,050	1,715
Non-current liabilities	–	–	1,158	1,158
	<b>(1,038)</b>	<b>665</b>	<b>2,208</b>	<b>1,835</b>



## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

#### 26 Summary of significant accounting policies

##### Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of Chamberlin Plc and its subsidiaries as at 31 May each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group has power over the investee, has the right to variable returns from the investee and has the power to affect its returns. The Group obtains and exercises control through voting rights and control is reassessed if there are indications that the status of any of the three elements have changed.

##### Going concern

The Group's activities together with the factors likely to affect its future development, performance and financial position, including its cash flows, liquidity position and borrowing facilities, are described in the Strategic Report on pages 5 to 11. In addition, Note 23 to the Group financial statements includes the Group's objectives and policies for managing capital and financial risks in relation to currency, interest rates, credit and liquidity.

The Group's detailed forecast for the year ending 31 May 2022 and budget for the year ending 31 May 2023 reflect the Director's view of the most likely trading conditions. The forecast and budget indicate that existing bank facilities are expected to remain adequate. The forecast and budget provide for significant revenue growth in the second half of the year ending 31 May 2022 and the year ending 31 May 2023, which is needed to replace the lost BorgWarner contracts. These assumptions include growth into new E-commerce and consumer-led markets relating to fitness equipment and cookware following the recent launch of the Iron Foundry Weights (IFW) and Emba Cookware brands. In addition, the cash flows in the forecast and budget assume that Chamberlin will conclude discussions with HMRC regarding a Time To Pay arrangement in respect of PAYE arrears. The Directors have applied reasonably foreseeable downside sensitivities to the forecast and budget, which assumes that sales growth from new e-commerce products is 50% lower than expectations, automotive volumes remain at the current low levels and non-automotive sales growth is 50% lower than expectations. The detailed forecast, budget and sensitised scenario exclude the possible receipt of compensation from BorgWarner, and any proceeds from the sale of under-utilised machinery. Furthermore, the Group is reliant on an invoice finance facility to fund its working capital needs. The renewal of the facility at the next annual review in February 2022 cannot be guaranteed, although there are no indications at the date of the approval of the financial statements that a renewal with the existing provider would not be granted or that alternative providers could not be found. In addition, the Directors have assumed that deferred settlement terms will be agreed with HMRC in relation to PAYE arrears of £1.3m for one subsidiary in the Group that have arisen in the period since the announcement by BorgWarner, having already agreed deferred settlement terms with HMRC for two subsidiaries.

As a consequence, after making enquiries, the Directors have an expectation that, in the circumstances of a reasonably foreseeable downside scenario as described above, the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

However, the rate at which new work can be secured to replace the lost BorgWarner activity is difficult to predict. Furthermore, the ability to renew or source alternative invoice finance facilities or to agree deferred settlement terms with HMRC results in material uncertainty, which may cast significant doubt over the ability of the Group and the Company to realise its assets and discharge its liabilities in the normal course of business and hence continue as a going concern.

The Directors continue to adopt the going concern basis, whilst recognising there is material uncertainty relating to the above matters.

## 26 Summary of significant accounting policies *continued*

### Presentation of the Consolidated Income Statement

The Consolidated Income Statement is allocated between underlying items that relate to the trading activities of the business, and non-underlying items that are either non-trading, non-recurring or are valued using market-derived data, which is outside of management's control.

### Business combinations and goodwill

#### Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9, either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which goodwill is monitored for internal management purposes and will not be larger than an operating segment before aggregation. Goodwill is tested for impairment when indicators of impairment are identified.

Where goodwill forms part of an operation that is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Business combinations prior to 1 April 2010

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the cash paid, and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Consolidated Income Statement in the period of acquisition.

## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

#### 26 Summary of significant accounting policies continued

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When there is a partial disposal of a cash-generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

#### Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. For property, where appropriate, the deemed cost as at the date of transition to IFRS is the fair value at the date of the last valuation of these assets.

With the exception of freehold land, depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings and long leasehold property – over expected useful life (not exceeding 50 years)

Short leasehold property – over the term of the lease

Plant and other equipment – two to ten years

Motor vehicles – four years

The estimated useful life of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price (fair value less costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Consolidated Income Statement in the cost of sales line item or in the other operating expenses line item depending on the asset concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Income Statement in the year the item is derecognised.

#### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software, intellectual property rights and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software and other intangible assets, such as capitalised development expenditure under IAS 38, are amortised over their useful lives on a straight-line basis with the amortisation charge included within other operating expenses.

## 26 Summary of significant accounting policies *continued*

Estimated useful life is the shorter of legal duration and economic useful life, which represents the Directors' best estimate of the period over which the asset may be used to generate significant economic benefits to the Group. Software has an estimated useful life of between three years for normal software and ten years for ERP systems. Intangible assets in the course of development are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

### Research and development costs

Research costs are expensed as incurred.

Clearly defined and identifiable development projects in which the technical degree of exploitation, adequacy of resources and potential market or development possibility in the undertaking can be clearly demonstrated, and where it is the intention to produce, market or execute the project, are capitalised when a correlation exists between the costs incurred and future benefits. Costs not meeting such criteria are expensed as incurred. Amortisation is applied as set out for intangible assets above, the useful life being determined for individual development projects. For projects capitalised to date, a useful life of five years was considered appropriate.

### The Company's investments in subsidiaries

Investments in subsidiaries are stated at cost, less impairment and dividends from subsidiaries, are taken to profit or loss when the right to receive payment is established.

### Inventories

Inventories are valued at the lower of cost and net realisable value, which is arrived at as follows:

- Raw materials – purchase cost on a first-in, first-out basis or weighted average cost basis;
- Finished goods and work in progress – where detailed individual product costing information is available, actual cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Previously, the engineering division included inventory valued at selling price less the calculated margin on certain finished goods in the absence of more detailed individual product costing information. During the year, a change in estimate was made to value all finished goods using the method described above to be consistent with the rest of the Group. Management has evaluated the effect of this change in estimate and does not believe it to be material.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Maintenance items are held in inventory and expensed on use unless they exceed a minimum level, where they are capitalised under plant and equipment and depreciated over the remaining useful economic life of the item of plant or equipment to which they relate.

### Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less any provision for bad debts. The Group makes use of a simplified approach in accounting for trade and other receivables, recording the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the lifetime credit losses, the Group uses its historical experience, external indicators and forward looking information to calculate the expected losses. Refer to note 14 for further details.

### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand and current balances with banks and similar institutions and short-term deposits with an original maturity of three months or less, which are subject to insignificant risks of changes in value.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents are defined as above, net of outstanding bank overdrafts.

## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

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#### **26 Summary of significant accounting policies** continued

##### **Leases**

In applying IFRS 16 'Leases', the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Income Statement; and
- Separates the amount of cash paid into principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease terms of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the Consolidated Income Statement.

##### **Foreign currency translation, derivative financial instruments and hedging**

The functional and presentation currency of Chamberlin Plc and its subsidiary undertakings is Sterling (£). Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Any resulting exchange differences are taken to the Consolidated Income Statement.

The Group is exposed to foreign exchange risk on income streams denominated in foreign currencies. In order to reduce the Group's exposure to currency fluctuations, the Group sells a proportion of expected Euro revenues on forward contracts.

With effect from 1 April 2010 the Group adopted hedge accounting in respect of certain sales denominated in foreign currencies. Foreign currency forward contracts are being used to hedge the foreign currency risks on highly-probable forecast sales transactions. The fair value of forward currency contracts is calculated by reference to current market prices for contracts with similar maturity profiles. The proportion of the gain or loss on the hedging instrument that is determined as an effective hedge is recognised in other comprehensive income and the gain or loss on any ineffective component of a hedging instrument is recognised in profit and loss. Amounts initially recognised in equity are transferred to the Consolidated Income Statement within sales when the forecast hedged transaction occurs.

Hedges are valued by reference to an external marked to market valuation. Group management performs an assessment to confirm the reasonableness of this valuation.

##### **Employee benefits**

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Group.

##### **Pensions and other post-employment benefits**

The Group operates a number of defined contribution schemes, which require contributions to be made to administered funds separate from the Group.

## 26 Summary of significant accounting policies *continued*

The Group also has a defined benefit pension scheme, which is closed to future accrual. The scheme assets are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method. As the scheme is closed to future accrual, no service cost of providing pension to employees is charged to the Consolidated Income Statement. The cost of making improvements to past pension and other post-retirement benefits is recognised in the Consolidated Income Statement immediately as an expense.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under non-underlying operating costs in the Consolidated Income Statement: Defined benefit pension scheme administration costs.

Remeasurement gains and losses may result from: changes in financial assumptions, changes in demographic assumptions, experience adjustments and differences between the expected return and the actual return on plan assets. Remeasurements are recognised in full in the period in which they occur, in other comprehensive income.

For defined contribution plans, contributions payable for the year are charged to the Consolidated Income Statement as an operating expense.

### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised within the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to other comprehensive income or to equity respectively. Otherwise income tax is recognised in the Consolidated Income Statement.

### Revenue

Revenue is recognised when control of manufactured product has passed to the customer. For the vast majority of sales across the Group, control passes to the customer when the goods are collected on an ex-works basis from the Group's premises. Revenue from the manufacture and sale of tooling to customers is recognised when the customer has provided final approval and acceptance that the tooling is fit for purpose and can be used for production of the customer's goods.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.



## SECTION 5 CONTINUED

### OTHER SUPPORTING NOTES

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#### 26 Summary of significant accounting policies continued

##### Dividends

Dividend payments are recognised in the period in which they become a binding obligation on the Company, which, for interim dividends, is when they are paid and for final dividends is when they are approved at the AGM.

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed as interest payable in the Consolidated Income Statement in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

##### Share-based payments

The Group grants equity-settled and cash-settled share-based payments to certain Directors and employees in the form of share options. Equity-settled share-based payments are measured at fair value at the date of grant using a Black-Scholes model. Cash-settled share-based payments are measured at fair value at the balance sheet date using a Black-Scholes model. The fair value is then charged to the Consolidated Income Statement over the vesting period of the options. In valuing equity-settled payments, no account is taken of any service and performance conditions (vesting conditions) other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided all non-market vesting conditions are satisfied.

At each balance sheet date before vesting the cumulative expense is calculated taking into account the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting above. The movement since the previous balance sheet date is recognised in the Consolidated Income Statement, with a corresponding entry in equity.

The values for the expected life of the options and the expected volatility of the share price used in the calculation model are based on the Directors' best estimates, taking into account conditions for exercise, historic data and behavioural considerations. Management has assessed the impact of market conditions on the valuation and has determined them not be material.

##### Non-underlying items

The Group presents as non-underlying items on the face of the Consolidated Income Statement, those items of income and expenditure which, because they are either non-trading related, non-recurring or are valued using market-derived data which is outside management's control, merit separate presentation to allow Shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to allow assessment of trends in financial performance. Non-underlying items in the current period include share-based payment costs, reorganisation costs, dilapidation costs and adviser costs and the associated tax impact on these items.

Non-underlying items in the prior year include share-based payment costs, reorganisation costs, foreign currency hedge ineffectiveness and the associated tax impact on these items.

##### Government grants and subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with, normally when a grant claim has been approved by the government authority and the grant monies have been received. Where the grant relates to an expense item, it is recognised as a credit over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is credited to deferred income and released to the statement of comprehensive income to match the depreciation of the related asset.

## 26 Summary of significant accounting policies *continued*

### Use of judgements and accounting estimates

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and judgements. Where appropriate, details of estimates and assumptions used are set out in the relevant notes to the accounts.

The key figures in the accounts that are most sensitive to such judgements and estimates are:

### Judgements

- Impairment of property, plant and equipment – the Group performs an impairment review when indications of impairment exist. Following the cancellation of all contracts by BorgWarner Turbo Systems Worldwide in December 2020, the Directors undertook a detailed impairment review of the Foundry division cash generating unit (CGU) that was impacted by this decision. The review concluded that an impairment charge was required in relation to property, plant and equipment where the value in use was deemed to be lower than carrying value. Note 12 provides details of the impairment review undertaken during the period.
- Provision for obsolete inventory – the Group performs a review of inventory for slow-moving and obsolete items each year. Following the cancellation of the BorgWarner contracts, management undertook a detailed review of the recoverability of the value of inventory associated with these contracts. The review concluded that net realisable value was significantly below cost and that an obsolete and slow-moving inventory provision was required. Note 13 provides further details of the provision made.
- Property dilapidations – the Group occupies two rental properties from which it conducts its activities. The circumstances of the businesses that operate from the properties has led the Directors to review the Group's provision for dilapidation costs that could arise at the end of the leases. This requires the Directors to make judgements concerning the future cost of returning the leased properties to the landlords in the condition specified in the lease. Note 16 provides further details of the provision made.
- Going concern – a two year forecast and budget has been prepared to assess the Group's ability to continue to operate as a going concern. The forecast and budget include assumptions on the future level of trading activity, profitability and cash flow expected during this period and downside sensitivities to reflect scenarios where revenue growth targets are not met. The Directors' Report on pages 24 and 25 provide further details on the going concern assumption.

### Accounting estimates

- Defined benefit scheme pension liabilities: the cost of the closed defined benefit pension plan is determined using actuarial valuations. The actuarial valuation, which is undertaken by external experts, involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Note 20 provides details of the defined pension scheme liabilities and valuation assumptions.
- Recoverability of deferred tax assets: deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. The Group has assessed that it is probable that future profits will fully utilise current tax losses and other deductible temporary differences. Deferred tax assets relating to the pension scheme deficit are expected to be recovered over the period that contributions are made into the scheme, including the agreed contributions to August 2023. The deferred tax assets have been assessed as recoverable against forecasts of future taxable profits. Note 16 provides details of the deferred tax assets.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF CHAMBERLIN PLC

### Opinion

We have audited the financial statements of Chamberlin plc (the "Parent Company") and its subsidiaries (the "Group") for the period ended 31 May 2021, which comprise:

- the Group statement of comprehensive income for the period ended 31 May 2021;
- the Group and parent company statements of financial position as at 31 May 2021;
- the Group and parent company statements of cash flows for the period then ended;
- the Group and parent company statements of changes in equity for the period then ended; and
- the notes (1 to 26) to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2021 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with the provisions 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 Group 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.

### Material uncertainty related to going concern

We draw attention to Note 26 and to the basis of preparation and going concern assessment noted in section 5 in the financial statements, which indicates that the group are forecasting a further downturn in overall activity due to the lost BorgWarner contract. Management's projections assume an increase in other sales activity, continuing Group finance facilities and agreeing extended payment terms with some preferred creditors. Whilst discussions are ongoing, no binding agreements are in place.

As stated in note 26, these events or conditions, along with the other matters set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Obtaining managements forecasts covering the period from 1 June 2021 to 31 May 2023. We have assessed how these forecasts have been prepared, including assessing the appropriateness of management's forecasts and sensitivities to the underlying assumptions;
- Challenging the key assumptions used in the model, including increased sales activity, reduced overheads and the potential availability of additional funding and deferral of preferred creditors;

- Reviewing the disclosures made in the financial statements relating to going concern and agreeing it is consistent with management's assessment; and
- Performed sensitivity analysis on management's reasonable downside scenarios to determine the reduction in revenue that would lead to elimination of the headroom in their original cash flow forecasts;

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

## Overview of our audit approach

### Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £205,000, based on approximately 0.75% of turnover. The parent company materiality was determined as £150,000, based on approximately 2% of total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment and is approximately £164,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £6,150. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

### Overview of the scope of our audit

The Group and its subsidiaries are accounted for at a number of locations across the UK. Chamberlin PLC and Chamberlin Hill & Castings Limited are accounted for from one location, Russell Ductile Limited and Petrel Limited are located at their registered offices.

We performed full scope audits of the complete financial information of Chamberlin PLC and the three components, Chamberlin Hill & Castings Limited, Russell Ductile Limited and Petrel Limited. The work was performed directly by the group audit team. The operations that were subject to full-scope audit procedures made up 100 per cent of consolidated revenues, total profit before tax for continuing operations and total assets and liabilities.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF CHAMBERLIN PLC

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<b>Revenue recognition</b> Revenue is the key driver of the business and used as an important benchmark by shareholders for assessing the health of the Group. We deemed the significant risk to be in respect of uncollected revenue as this is the area considered to be most susceptible to manipulation by management in close proximity to the year-end where there is an incentive to meet performance targets.	Our audit procedures consisted of: <ul style="list-style-type: none"> <li>→ assessing the design effectiveness of the relevant controls in place associated with revenue recognition;</li> <li>→ testing a sample of revenue transactions across the Group to ensure revenue recognition was appropriate by agreeing amounts to contracted amounts, cash receipts and/or proof of delivery where applicable;</li> <li>→ reviewing post year end credit notes to ensure there were no significant reversals of revenue recorded relating to pre-year end</li> </ul>
<b>Valuation of defined benefit pension scheme liabilities</b> The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 May 2021, the defined benefit pension schemes' net liability was £1.2 million. The gross value of pension scheme liabilities amounted to £16.8 million. The valuation of the pension liabilities in accordance with IAS 19 'Employee Benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme liability being recognised within the group financial statements. Therefore, we identified the valuation of the defined benefit pension scheme liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit procedures consisted of: <ul style="list-style-type: none"> <li>→ Documenting our understanding of management's processes for evaluating the defined benefit scheme and assessing the design effectiveness of related key controls;</li> <li>→ Evaluating the competence of management's expert;</li> <li>→ Challenge of the assumptions used, including discount rates, growth rates and mortality rates;</li> <li>→ Corroborating the valuation of the scheme assets to third party documentation;</li> <li>→ Assessing disclosures made in the financial statements to determine compliance with IAS 19.</li> </ul>
<b>Impairment of assets</b> Chamberlin Hill & Castings lost a significant contract in January 2021. This contract was serviced from a discreet single production cell. They had invested heavily in machinery, premises and inventory to deliver and maintain the contract.  The impairment involves a significant degree of estimate and uncertainty over the recoverable value of the assets utilised on this contract.	<ul style="list-style-type: none"> <li>→ Obtaining management's board paper detailing the assets impaired and the judgments used in arriving at the impairment and assessing the reasonableness of the assumptions used by management.</li> <li>→ Agreed the assets and inventory impaired to supporting documentation, such as fixed asset register and inventory listing.</li> <li>→ Assessing the impairment disclosures made in the financial statements</li> </ul>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

## Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Opinion on other matter 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 24, 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 group's and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.



# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF CHAMBERLIN PLC

### Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK being the principal jurisdiction in which the Group operates.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases in particular where significant judgements are involved (see Key Audit Matters above).

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



#### MARK EVANS

(SENIOR STATUTORY AUDITOR)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

B69 2DG

30 November 2021

# PARENT COMPANY BALANCE SHEET

AT 31 MAY 2021

	Notes	31 May 2021 £000	31 March 2020 £000
<b>Non-current assets</b>			
Property, plant and equipment	11	702	751
Intangible assets	12	11	22
Investments	19	1,459	1,816
Deferred tax asset	16	455	552
		<b>2,627</b>	3,141
<b>Current assets</b>			
Trade and other receivables	14	78	160
Amounts due from subsidiary undertakings	14	505	3,696
		<b>583</b>	3,856
<b>Total assets</b>		<b>3,210</b>	6,997
<b>Current liabilities</b>			
Financial liabilities	15	78	1,692
Trade and other payables	15	1,445	996
		<b>1,523</b>	2,688
<b>Non-current liabilities</b>			
Financial liabilities	16	27	57
Deferred tax	16	77	–
Defined benefit pension scheme deficit	20	1,190	1,959
		<b>1,294</b>	2,016
<b>Total liabilities</b>		<b>2,817</b>	4,704
<b>Capital and reserves</b>			
Share capital	17	2,051	1,990
Share premium		4,720	1,269
Capital redemption reserve		109	109
Retained earnings		(6,487)	(1,075)
<b>Total equity</b>		<b>393</b>	2,293
<b>Total equity and liabilities</b>		<b>3,210</b>	6,997

The loss dealt with in the accounts of the parent company was £5,846,000 (2020: £2,634,000).



KEVIN PRICE

DIRECTOR



ALAN TOMLINSON

DIRECTOR

The accounts were approved by the Board of Directors on 30 November 2021

# PARENT COMPANY CASH FLOW STATEMENT

FOR THE 14 MONTHS ENDED 31 MAY 2021

	Note	14 months ended 31 May 2021 £000	Year ended 31 March 2020 £000
<b>Operating activities</b>			
<b>Loss for the period before tax</b>		<b>(5,744)</b>	(2,355)
<i>Adjustments to reconcile loss for the period to net cash outflow from operating activities:</i>			
Net finance costs		<b>158</b>	128
Impairment of investments		<b>357</b>	1,079
Impairment of amounts due from subsidiary undertakings		<b>3,281</b>	–
Depreciation of property, plant and equipment	11	<b>62</b>	60
Amortisation of software	12	<b>11</b>	5
Loss on disposal of fixed assets		<b>2</b>	–
Non-underlying items - restructuring costs accrued		<b>227</b>	–
Share-based payments	18	<b>41</b>	59
Defined benefit pension contributions paid		<b>(355)</b>	(279)
Increase/decrease in receivables		<b>(9)</b>	69
Increase/(decrease) in payables		<b>225</b>	(299)
Corporation tax received		<b>–</b>	31
<b>Net cash outflow from operating activities</b>		<b>(1,744)</b>	(1,502)
<b>Investing activities</b>			
Purchase of property, plant and equipment	11	<b>(1)</b>	(17)
Purchase of software		<b>–</b>	(7)
<b>Net cash outflow from investing activities</b>		<b>(1)</b>	(24)
<b>Financing activities</b>			
Interest paid		<b>(109)</b>	(70)
Principal element of lease payments		<b>(49)</b>	(35)
New share capital issued		<b>3,312</b>	–
Proceeds from convertible loan		<b>200</b>	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,354</b>	(105)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,609</b>	(1,631)
<b>Cash and cash equivalents at the start of the period</b>		<b>(1,654)</b>	(23)
<b>Cash and cash equivalents at the end of the period</b>		<b>(45)</b>	(1,654)
<b>Cash and cash equivalents comprise:</b>			
Bank overdraft		<b>(45)</b>	(1,654)
		<b>(45)</b>	(1,654)

# PARENT COMPANY

## STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Attributable to equity holders of the Company £000
Balance at 1 April 2019	1,990	1,269	109	1,094	<b>4,462</b>
Loss for the year	–	–	–	(2,634)	<b>(2,634)</b>
Other comprehensive income for the year net of tax	–	–	–	373	<b>373</b>
Total comprehensive expense	–	–	–	(2,261)	<b>(2,261)</b>
Share-based payment	–	–	–	59	<b>59</b>
Deferred tax on share-based payment	–	–	–	33	<b>33</b>
Total of transactions with shareholders	–	–	–	92	<b>92</b>
Balance at 1 April 2020	1,990	1,269	109	(1,075)	<b>2,293</b>
Loss for the period	–	–	–	(5,846)	<b>(5,846)</b>
Other comprehensive income for the period net of tax	–	–	–	470	<b>470</b>
Total comprehensive expense	–	–	–	(5,376)	<b>(5,376)</b>
New share capital issued	61	3,451	–	–	<b>3,512</b>
Share-based payment	–	–	–	41	<b>41</b>
Deferred tax on share-based payment	–	–	–	(77)	<b>(77)</b>
Total of transactions with shareholders	<b>61</b>	<b>3,451</b>	<b>–</b>	<b>(36)</b>	<b>3,476</b>
<b>Balance at 31 May 2021</b>	<b>2,051</b>	<b>4,720</b>	<b>109</b>	<b>(6,487)</b>	<b>393</b>

### Share premium account

The share premium account balance includes the proceeds that were above the nominal value from issuance of the Company's equity share capital. Transaction costs directly associated with the share placing and subscription in March 2021 of £0.2m have been debited to share premium in the period.

### Capital redemption reserve

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

### Retained earnings

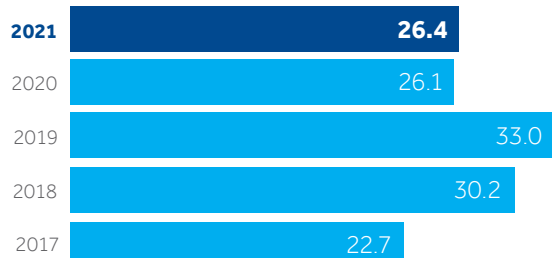
Retained earnings include the accumulated profits and losses arising from the Consolidated Income Statement and items from the Consolidated Statement of Comprehensive Income attributable to equity shareholders, and the share-based payment expense, less distributions to Shareholders.

# FIVE YEAR FINANCIAL SUMMARY

	14 months to 31 May 2021	2020*	2019*	2018*	2017*
Revenue (£m)	<b>26.4</b>	26.1	33.0	30.2	24.9
Underlying loss before tax (£'000)	<b>(3,198)</b>	(1,434)	(1,509)	(1,006)	(299)
Statutory loss before tax (£'000)	<b>(10,391)</b>	(2,343)	(4,957)	(1,112)	(516)
Underlying diluted earnings per share (pence)	<b>(13.7)</b>	(18.7)	(19.5)	(15.8)	(4.5)
Cash generated from operations (£'000)	<b>(344)</b>	1,546	(3,379)	791	(454)

\* For the 12 months ended 31 March.

## REVENUE (£m)



## UNDERLYING LOSS BEFORE TAX (£000)



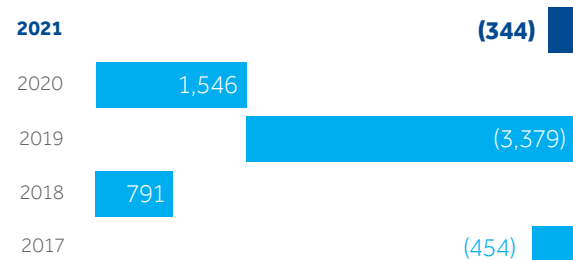
## STATUTORY LOSS BEFORE TAX (£000)



## UNDERLYING DILUTED EARNINGS PER SHARE (p)



## CASH GENERATED FROM OPERATIONS (£000)



# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given that the Annual General Meeting of the Company ("AGM") will be held on Wednesday 5 January 2022 at the Company's registered office at Chuckery Road, Walsall, WS1 2DU at 11.00 a.m.**

The AGM will be subject to COVID-19 restrictions and, as such, any shareholder wishing to attend in person will be required to pre-register with the company secretary by 24 December 2021 (or in the event that the AGM is adjourned, not less than five days prior to the adjourned AGM (excluding any part of a day that is not a business day)) by emailing the company secretary via [www.chamberlin.co.uk/contact/contact-us/company-secretary](http://www.chamberlin.co.uk/contact/contact-us/company-secretary) (please state "Chamberlin PLC: AGM" in the subject line of the email and include the shareholder's full name and shareholder reference number).

Alternatively, shareholders will be able to exercise their right to vote by proxy and will be able to ask questions of the Board in advance of the AGM by also emailing the company secretary at the above address (any such questions to arrive by 11.00 a.m. on 3 January 2022 (or in the event that the AGM is adjourned, not later than 48 hours before the adjourned AGM)). The Board will endeavour to respond to questions which are put forward in advance of the AGM during the AGM and/or by publishing written responses on the investors section of the Company's website after the AGM (together with the results of voting).

The AGM is convened for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Report of the Directors, Annual Accounts and Report of the Auditors for the 14 months ended 31 May 2021 (Resolution 1).
2. To re-elect as a Director Keith Butler-Wheelhouse (Resolution 2).
3. To re-elect as a Director Kevin Nolan (Resolution 3).
4. To re-elect as a Director Trevor Brown (Resolution 4).
5. To elect as a Director Kevin Price (Resolution 5).
6. To elect as a Director Alan Tomlinson (Resolution 6).
7. To approve the Directors' Remuneration Report for the 14 months ended 31 May 2021 (Resolution 7).
8. To appoint Crowe U.K. LLP as Auditors of the Company until the conclusion of the next annual general meeting of the Company (Resolution 8).
9. To authorise the Directors to determine the remuneration of the Auditors (Resolution 9).

10. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (in substitution for all existing authorities under section 551 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £13,924 (representing 20% of the current issued ordinary share capital of the Company) provided that (unless previously revoked, varied or renewed) such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 5 April 2023, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance to such offers or agreements as if this authority had not expired (Resolution 10).

**To consider and, if thought fit, to pass the following resolutions as special resolutions:**

11. That, subject to the passing of resolution 10 and pursuant to section 570 of the Companies Act 2006 the Directors be and are hereby generally empowered (in substitution for all existing powers under section 570 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 10 as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities
  - a. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
    - i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
    - ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary.



# NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- b. otherwise than pursuant to paragraph 11(a) of this resolution, up to an aggregate nominal amount of £13,924 (representing 20% of the current issued ordinary share capital of the Company),

and (unless previously revoked, varied or renewed) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 5 April 2023, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance of such offers or agreements as if this authority had not expired (Resolution 11).

- 12. That the Company be and hereby is generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:

- a. the maximum aggregate number of Ordinary Shares which may be purchased is 6,962,478;
- b. the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 0.1 pence;
- c. the maximum price which may be paid for each Ordinary Share is an amount equivalent to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange Plc for the five business days immediately preceding the day on which the Ordinary Share in question is purchased, and (unless previously revoked, varied or renewed) this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 5 April 2023, save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired (Resolution 12).

By order of the Board

**ALAN TOMLINSON**  
Company Secretary  
30 November 2021

Chuckery Road  
Walsall  
WS1 2DU

## Notice of General Meeting

**Notice is hereby given that a General Meeting of the Company ("General Meeting")** will be held on Wednesday 5 January 2022 at the Company's registered office at Chuckery Road, Walsall, WS1 2DU at 11:30 a.m (or as soon as the AGM which is convened for 11.00 a.m. on the same day has concluded).

The General Meeting is being convened to consider whether any, and if so what, steps should be taken to address the serious loss of capital within the Company, pursuant to section 656(1) of the Companies Act 2006. For the avoidance of doubt, there is no proposed resolution in respect of the serious loss of capital (please see note 18 to both this notice and the notice of AGM for a further explanation on the purpose for this General Meeting).

The General Meeting will be subject to COVID 19 restrictions and, as such, any shareholder wishing to attend in person will be required to pre-register with the company secretary by 24 December 2021 (or in the event that the General Meeting is adjourned, not less than five days prior to the adjourned General Meeting (excluding any part of a day that is not a business day)) by emailing the company secretary via [www.chamberlin.co.uk/contact/contact-us/company-secretary](http://www.chamberlin.co.uk/contact/contact-us/company-secretary) (please state "Chamberlin PLC: General Meeting" in the subject line of the email and include the shareholder's full name and shareholder reference number).

Alternatively, shareholders will be able to ask questions of the Board in advance of the General Meeting by also emailing the company secretary at the above address (any such questions to arrive by 11.00 a.m. on 3 January 2022 (or in the event that the General Meeting is adjourned, not later than 48 hours before the adjourned General Meeting)). The Board will endeavour to respond to questions which are put forward in advance of the General Meeting during the General Meeting and/or by publishing written responses on the investors section of the Company's website after the General Meeting.

By order of the Board

**ALAN TOMLINSON**  
Company Secretary  
30 November 2021

Chuckery Road  
Walsall  
WS1 2DU

## Notes to the notices of AGM and General Meeting ("Meetings")

### Attending the meeting

1. Should you wish to attend the Meetings in person, please pre-register your attendance with the company secretary by 24 December 2021 (or in the event that the Meetings are adjourned, not less than five days prior to any adjourned Meeting (excluding any part of a day that is not a business day)) by emailing the company secretary via [www.chamberlin.co.uk/contact/contact-us/company-secretary](http://www.chamberlin.co.uk/contact/contact-us/company-secretary) (please state "Chamberlin PLC: AGM/General Meeting" in the subject line of the email and include your full name and shareholder reference number). This will enable the Company to put in place the requisite measures which may need to be introduced to meet any potential government-mandated COVID-19 restrictions.

### Questions

2. Shareholders will be able to ask questions of the Board in advance of the Meetings by also emailing the company secretary at the above address (any such questions to arrive by 11.00 a.m. on 3 January 2022 (or in the event that the Meetings are adjourned, not later than 48 hours before any adjourned Meeting)). The Board will endeavour to respond to questions which are put forward in advance of the Meetings during the relevant Meeting and/or by publishing written responses on the investors section of the Company's website after the Meetings (together with results of voting).

### Proxies

3. A shareholder entitled to attend, speak and vote at the Meetings is entitled to appoint a proxy or proxies to attend, speak and vote, on a poll, instead of him. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Meetings, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of the number of shares held by that shareholder may result in the proxy appointment being invalid. The appointment of a proxy will not preclude a shareholder from attending, speaking and voting in person at the Meetings (subject to the requirement to pre-register set out in note 1 above).

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

4. A Form of Proxy is enclosed for your use if desired. Please carefully read the instructions on how to complete the Form of Proxy. For a Form of Proxy to be effective, the instrument appointing a proxy together with the power of attorney or such other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority must reach the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD by 11.00 a.m. on 3 January 2022 (or, if the Meetings are adjourned, not less than 48 hours before the time of any adjourned Meeting). To appoint more than one proxy, complete a separate Form of Proxy in relation to each appointment. You may photocopy the Form of Proxy provided or alternatively contact the Registrars.
5. To appoint a proxy or proxies or to give an instruction to your proxy or proxies (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 7RA11) by 11.00 a.m. on 3 January 2022 (or, if the Meetings are adjourned, not later than 48 hours before the time of any adjourned Meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. A proxy may only be appointed in accordance with the procedures set out in these notes and the notes to the Form of Proxy. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD and in the case of a shareholder which is a corporation, the revocation notice must be executed in accordance with note (8) below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice and must be received by the Registrars not less than 48 hours before the time fixed for the holding of the Meetings or any adjourned meeting at which the proxy is to attend, speak and vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
8. A corporation's Form of Proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.
9. Any power of attorney or any other authority under which the Form of Proxy is signed (or duly certified copy of such power of authority) must be included with the Form of Proxy.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

## Entitlement to vote

11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders on the register of members at close of business on 31 December 2021, or in the event that the Meetings are adjourned, on such register at 6.00 p.m. on the date two days before any adjourned Meeting (excluding any part of a day that is not a business day), shall be entitled to attend, speak and vote at the Meetings or vote by proxy at the Meetings in respect of the number of Shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend, speak and vote or vote by proxy (and the number of votes they may cast) at the Meetings.

### Total voting rights

12. As at the date of this document, the Company's issued share capital comprised 69,624,792 ordinary shares of 0.1 pence each. Each share carries the right to vote at a shareholder meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this document is 69,624,792.

### Method of voting

13. Voting on all resolutions will be conducted by way of a poll, rather than on a show of hands.

### Corporate representatives

14. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the Meetings. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

### Documents available for inspection

15. There will be available for inspection at the registered office of the Company during normal business hours (weekends and public holidays excepted) from the date of this notice until the conclusion of the AGM copies of contracts of service of Directors (including letters of appointment of non-executive Directors) with the Company or with any of its subsidiary undertakings.

### Biographical details of Directors

16. Biographical details of all Directors who are offering themselves for election and re-election at the AGM are set out on page 13 of the enclosed annual report and accounts.

### Explanation of AGM resolutions/business to be conducted at the General Meeting

17. An explanation of AGM Resolutions 10 to 12 is set out in the Report of the Directors on page 23.
18. In circumstances where the value of the Company's net assets is less than half of its called up share capital (categorised as a 'Serious Loss of Capital'), the Directors are required, pursuant to section 656(1) of the Companies Act 2006, to convene a general meeting of the Company for the purpose of allowing shareholders to consider whether any, and, if so what, steps should be taken to deal with the situation. The Board would therefore like to ensure that this matter is addressed accordingly. The Board does not consider it necessary to propose any resolutions in relation to this matter at the General Meeting. The Board does however welcome dialogue with shareholders on this point and the General Meeting will provide a forum for such discussions to take place.

### Change of address

19. Shareholders should notify the Registrars without delay of any change of address.

### Communications with the Company

20. You may not use any electronic address provided either in this notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

# SHAREHOLDER INFORMATION

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## **Directors**

Keith Butler-Wheelhouse (Non-Executive Chairman)  
Kevin Price (Chief Executive)  
Alan Tomlinson (Finance Director)  
Kevin Nolan (Non-Executive Director)  
Trevor Brown (Executive Director)

## **Company Secretary**

Alan Tomlinson

## **Registered Office**

Chuckery Road  
Walsall  
WS1 2DU  
Registered in England No. 00076928

## **Auditor**

Crowe U.K. LLP  
Oldbury

## **Solicitors**

DLA Piper  
Birmingham

## **Nominated Advisers and Joint Brokers**

Cenkos Securities plc  
London  
  
Peterhouse Securities Limited  
London

## **Bankers**

HSBC Bank plc  
Birmingham

## **Registrars**

Neville Registrars Limited  
Neville House  
Steelpark Road  
Halesowen  
West Midlands  
B62 8HD



## Chamberlin & Hill Castings Ltd

Small complex grey iron castings, for the automotive sector, hydraulic and mechanical engineering applications.

### Chamberlin & Hill Castings Limited

Chuckery Road  
Walsall, WS1 2DU

Tel: 01922 721411

Fax: 01922 614610

[www.chcastings.co.uk](http://www.chcastings.co.uk)



Products associated with cable management, lighting design and manufacture for hazardous area and industrial applications.

### Petrel Limited

22 Fortnum Close  
Kitts Green  
Birmingham, B33 0LB

Tel: 0121 783 7161

Fax: 0121 783 5717

[www.petrel-ex.co.uk](http://www.petrel-ex.co.uk)



## Russell Ductile Castings

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Dawes Lane  
Scunthorpe, DN15 6UW

Tel: 01724 862152

Fax: 01724 280461

[www.russellcastings.co.uk](http://www.russellcastings.co.uk)





#### Visit us online

For more information on Chamberlin Group operations please visit our website at:

[www.chamberlin.co.uk](http://www.chamberlin.co.uk)



Chamberlin launched its Emba Cookware brand at the Good Food Show in Birmingham between 25 November 2021 and 28 November 2021.

# chamberlin plc

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