RNS Number : 2109R
Chamberlin PLC
28 February 2023

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AIM: CMH

chamberlin plc

CHAMBERLIN PLC

("Chamberlin" or "the Company" or "the Group")

Interim Results

for the six months ended 30 November 2022

Chamberlin plc (AIM: CMH) is pleased to announce its interim results for the six months ended 30 November 2022 ("H1 2023").

Key Points

- Revenue of £10.5m (H1 2022: £8.0m), an increase of 32%
- Underlying loss before tax £0.3m (H1 2022: £0.1m)
- Continued strong growth at Petrel with significantly improved operating performance

Post Period

- Potential sale and leaseback for Walsall freehold site, subject to contract

Chairman, Keith Butler-Wheelhouse, commented:

"All operating businesses within the Group are now operationally profitable, with new opportunities for growth continuing to emerge, the most significant being the newly reinvigorated Petrel".

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time.

Enquiries

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Duncan Vasey

Chairman's Statement

Revenues in the first six months increased by 32% to £10.5m compared to £8.0m in the prior period, reflecting strong growth across all operations. Revenues in the second half of the year are expected to continue on a similar path, supported by strong order books at RDC and Petrel and the commencement of new contracts recently won by CHC, as previously announced.

Operational performance of the Group in H1 2023 was impacted by inflationary cost pressures, primarily at CHC, with the underlying loss before tax increasing slightly to £0.3m (H1 2022: £0.1m), although these cost pressures have now been addressed through price increases and further cost savings. Despite these cost pressures, both Petrel and RDC delivered strong operating performances, with operating profit increasing by 78% and 11% respectively, compared with the prior period.

Petrel's new management team, led by divisional Managing Director Mark Pemberton, has overseen a substantial increase in operating performance. The team are now seeking to build on this strong base and have developed a strategy for Petrel that will involve entry into new export markets and sectors such as pharmaceutical and oil and gas. Petrel will continue to modernise and innovate to ensure it remains at the forefront of hazard lighting technology and meets evolving customer requirements.

In January 2023, Chamberlin completed a placing and subscription raising £650,000 to support the Group's working capital requirements as it enters a period of profitable growth. At that time, the Board stated that it was continuing to evaluate further opportunities to strengthen the balance sheet, including in relation to the Group's property assets. The Group is in discussions regarding a proposed sale and leaseback transaction at its Walsall freehold property which would include a proportion of any realised funds to be utilised to further reduce the Company's pension fund deficit. Whilst the freehold is currently under offer at £2.2m, Shareholders should note that this is subject to contract and there can be no certainty that this transaction will be completed. Further announcements will be made, as appropriate.

Outlook

The Group continues to go from strength to strength and is performing in line with market expectations.

The Board believes that Chamberlin is now entering a period of continuous growth with all businesses profitable in January 2023 for the first time in many years and supporting the Board's expectations that Group profits in FY 2023 will be second half weighted.

Keith Butler-Wheelhouse
Chairman

Consolidated Income Statement
for the six months ended 30 November 2022

	Note	**Unaudited six months ended 30 November 2022**			Unaudited six months ended 30 November 2021			Year ended 31 May 2022		
		Underlying	**# Non-underlying**	**Total**	Underlying	# Non-underlying	Total	Underlying	# Non-underlying	Total
		£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000

Revenue	2	**10,544**	**-**	**10,544**	8,013	-	8,013	16,836	-	16,836
Cost of sales		**(9,104)**	**-**	**(9,104)**	(6,636)	-	(6,636)	(15,038)	-	(15,038)
Gross profit		**1,440**	**-**	**1,440**	1,377	-	1,377	1,798	-	1,798
Other operating expenses	7	**(1,583)**	**(140)**	**(1,723)**	(1,409)	50	(1,359)	(2,501)	505	(1,996)
Operating (loss)/profit		**(143)**	**(140)**	**(283)**	(32)	50	18	(703)	505	(198)
Interest receivable		**47**	**-**	**47**	-	-	-	26	-	26
Finance costs	3	**(231)**	**-**	**(231)**	(104)	-	(104)	(337)	-	(337)
(Loss)/profit before tax		**(327)**	**(140)**	**(467)**	(136)	50	(86)	(1,014)	505	(509)
Tax credit/(expense)	4	**186**	**-**	**186**	188	-	188	581	-	581
Profit/(loss) for the period attributable to equity holders of the Parent Company		**(141)**	**(140)**	**(281)**	52	50	102	(433)	505	72
Earnings/(loss) per share:										
Basic	5	**(0.1)p**	**(0.2)p**	**(0.3)p**	0.1p	-	0.1p	(0.5)p	0.6p	0.1p
Diluted		**(0.1)p**	**(0.2)p**	**(0.3)p**	0.1p	-	0.1p	(0.5)p	0.6p	0.1p

Non-underlying items include restructuring costs, hedge ineffectiveness, impairment of assets, dilapidation costs and share-based payment costs together with the associated tax impact.

Consolidated Statement of Comprehensive Income

for the six months ended 30 November 2022

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000
(Loss)/profit for the period	**(281)**	102	72
Other comprehensive income			
Gain on revaluation of property, plant & equipment	**-**	-	1,003
Movements in fair value of cash flow hedges taken to other comprehensive income	**3**	(69)	(158)
Deferred tax on movements in cash flow hedges	**(1)**	17	40
Net other comprehensive income/(expense) that may be recycled to profit and loss	**2**	(52)	885
Re-measurement (losses)/gains on pension scheme assets and liabilities	**(880)**	(42)	332
Deferred tax on re-measurement (losses)/ gains on pension assets and liabilities	**167**	8	(63)
Net other comprehensive (expense)/ income that will not be reclassified to profit and loss	**(713)**	(34)	269
Other comprehensive (expense)/income for the period net of tax	**(711)**	(86)	1,154
Total comprehensive (expense)/income for the period attributable to equity holders of the Parent Company	**(992)**	16	1,226

Consolidated Balance Sheet

at 30 November 2022

	Unaudited 30 November 2022	Unaudited 30 November 2021	31 May 2022
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**3,525**	2,515	3,506
Intangible assets	**263**	244	283
Deferred tax assets	**1,621**	1,402	1,434
Defined benefit pension scheme surplus	**-**	-	64
	5,409	4,161	5,287
Current assets			
Inventories	**3,449**	2,264	3,143
Trade and other receivables	**4,955**	3,160	4,303
Cash at bank	**124**	6	-
	8,528	5,430	7,446
Total assets	**13,937**	9,591	12,733
Current liabilities			
Financial liabilities	**3,873**	2,573	2,877
Trade and other payables	**7,281**	6,429	6,475
	11,154	9,002	9,352
Non-current liabilities			
Financial liabilities	**1,814**	1,007	2,097
Deferred tax liabilities	**60**	107	70
Provisions	**806**	890	806
Defined benefit pension scheme deficit	**634**	1,077	-
	3,314	3,081	2,973
Total liabilities	**14,468**	12,083	12,325
Capital and reserves			
Share capital	**2,088**	2,051	2,087
Share premium	**6,332**	4,720	6,308
Capital redemption reserve	**109**	109	109
Revaluation reserve	**1,003**	-	1,003
Hedging reserve	**102**	166	100
Retained earnings	**(10,165)**	(9,538)	(9,199)
Total equity	**(531)**	(2,492)	408
Total equity and liabilities	**13,937**	9,591	12,733

Consolidated Cash Flow Statement

for the six months ended 30 November 2022

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000
Operating activities			
Loss for the period before tax	**(467)**	(86)	(509)
Adjustments for:			
Interest receivable	**(47)**	-	(26)
Net finance costs	**231**	104	337

Impairment charge on property, plant and equipment, inventory and receivables	**-**	(84)	(498)
Dilapidations provision	**-**	-	(84)
Depreciation of property, plant and equipment	**186**	176	324
Amortisation of intangible assets	**20**	23	24
Profit on disposal of property plant and equipment	**-**	-	(66)
Foreign exchange rate movements	**(6)**	(1)	(1)
Share-based payments	**34**	34	67
Defined benefit pension contributions paid	**(180)**	(165)	(935)
(Increase) in inventories	**(307)**	(566)	(945)
(Increase)/decrease in receivables	**(796)**	779	(168)
Increase/(decrease) in payables	**830**	(1,688)	(1,557)
Corporation tax received	**306**	-	-
Net cash outflow from operating activities	**(196)**	(1,474)	(4,037)
Investing activities			
Purchase of property, plant and equipment	**(205)**	(197)	(520)
Purchase of software	-	(4)	(20)
Development costs	**-**	-	(24)
Disposal of property, plant and equipment	**-**	-	1,189
Net cash outflow from investing activities	**(205)**	(201)	625
Financing activities			
Interest received	**47**	-	26
Interest paid	**(233)**	(94)	(324)
Net invoice finance drawdown	**1,048**	1,011	1,585
New share capital issued	**-**	-	1,624
Finance lease payments	**(337)**	(274)	(537)
Net cash inflow from financing activities	**525**	643	2,374
Net increase/(decrease) in cash and cash equivalents	**124**	(1,032)	(1,038)
Cash and cash equivalents at the start of the period	**-**	1,038	1,038
Impact of foreign exchange rate movements	-	-	-
Cash and cash equivalents at the end of the period	**124**	6	-
Cash and cash equivalents compromise:			
Cash at bank	**124**	6	-

Consolidated Statement of Changes in Equity

for the six months ended 30 November 2022

	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Revaluation reserve	Retained earnings	Tota
	£000	£000	£000	£000	£000	£000	
At 1 June 2021	2,051	4,720	109	218	-	(9,664)	
Profit for the period	-	-	-	-	-	102	
Other comprehensive income/(expense) for the period net of tax	-	-	-	(52)	-	(34)	
Total comprehensive income/(expense)	-	-	-	(52)	-	68	
Share-based payments	-	-	-	-	-	34	
Deferred tax on share-based payments	-	-	-	-	-	24	
Total of transactions with shareholders	-	-	-	-	-	58	
At 30 November 2021	2,051	4,720	109	166	-	(9,538)	
Loss for the period	-	-	-	-		(30)	

Other comprehensive income for the period net of tax	-	-	-	(66)	1,003	303
Total comprehensive income/(expense)	-	-	-	(66)	1,003	273
New share capital issued	36	1,588	-	-	-	-
Share-based payments	-	-	-	-	-	33
Deferred tax on share-based payments	-	-	-	-	-	33
Total of transactions with shareholders	36	1,588	-	-	-	66
At 1 June 2022	2,087	6,308	109	100	1,003	(9,199)
Loss for the period	-	-	-	-	-	(281)
Other comprehensive expense for the period net of tax	-	-	-	2	-	(713)
Total comprehensive (expense)/income	-	-	-	2	-	(994)
New share capital issued	1	24	-	-	-	-
Share-based payments	-	-	-	-		34
Deferred tax on share-based payments	-	-	-	-		(6)
Total of transactions with shareholders	1	24	-	-	-	28
At 30 November 2022	**2,088**	**6,332**	**109**	**102**	**1,003**	**(10,165)**

Notes to the Interim Financial statements

1 General information and accounting policies

The unaudited interim condensed consolidated financial statements do not comprise the Group's statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2022 were approved by the Board of Directors on 4 November 2022 and filed at Companies House. The auditor's report on those accounts was unqualified but contained an emphasis of matter paragraph relating to a material uncertainty regarding going concern.

Basis of preparation

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 condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with AIM Rules issued by the London Stock Exchange.

Accounting policies

The principal accounting policies applied in preparing the interim Financial Statements comply with IFRS as adopted by the European Union and are consistent with the policies set out in the Annual Report and Accounts for the year ended 31 May 2022.

No new standards or interpretations issued since 31 May 2022 have had a material impact on the financial statements of the Group.

Going concern

The Director's assessment of going concern is based on the Group's detailed forecast for the three years ending 31 May 2023, 31 May 2024 and 31 May 2025, which reflect the Director's view of the most likely trading conditions. In November 2022, the Group secured an increase to its invoice finance facilities from £3.5m to £4.5m and the forecasts indicate that these bank facilities are expected to remain adequate.

The forecasts include revenue growth and margin improvement assumptions across all of the Group's businesses. At Chamberlin and Hill Castings, these assumptions include an improvement in automotive volumes as this sector recovers from the backlog of passenger vehicle orders arising from the shortage of vital electronic and other components in the last 18 months, modest growth from fitness equipment and cookware products and diversification into new markets. At RDC, the forecasts assume that revenue and margin growth will be achieved from the investment being made in the expansion of its capacity and the ability to manufacture and sell a wider range of products using new materials. At Petrel, revenue and margin growth assumptions are based on the introduction of new products, including the use of new technology, and services, including warranty, inspection and maintenance.

The Directors have applied reasonably foreseeable downside sensitivities to the forecast, including sales growth and margin improvement at Chamberlin and Hill Castings is 40% and 20% lower than expectations respectively, sales growth and margin improvement at RDC are both 20% lower than expectations and sales growth and margin at Petrel are 20% and 10% lower than expectations respectively. 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 2023 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 £1.5m 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 revenue growth and margin improvement can be achieved during a potentially future recessionary period and uncertain global trading conditions 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.

2 Segmental analysis

For management purposes, the Group is organised into two operating divisions: Foundries and Engineering. The operating segments reporting format reflects the Group's management and internal reporting structures for the Chief Operating Decision Maker.

	Revenue			*Operating (loss)/ profit*		
	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022	**Unaudited six months ended 30 November 2022**	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000	**£000**	£000	£000
Foundries	**8,600**	6,469	13,604	**(9)**	120	(463)
Engineering	**1,944**	1,544	3,232	**343**	193	535
Segmental results	**10,544**	8,013	16,836	**334**	313	72
Shared costs				**(477)**	(345)	(775)
Non-underlying items (Note 7)				**(140)**	50	505
Net finance costs				**(184)**	(104)	(311)

Loss before tax	**(467)**	(86)	(509)

The Foundries segment is a supplier of 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. The Engineering segment provides manufactured hazardous area lighting products to distributors and end-users.

Financing and income tax are managed on a Group basis and are not allocated to operating segments.

3 Finance costs

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000
Interest on bank financing facilities	**(132)**	(23)	(94)
Interest expense on lease liabilities and other interest payable	**(101)**	(71)	(230)
Net interest on defined benefit pension liability	**2**	(10)	(13)
	(231)	(104)	(337)

4 Income tax expense

An estimated effective rate of tax for the six months to 30 November 2022 of 39.8% (30 November 2021: 218.6%) has been used in these interim statements. This rate differs to the standard corporation tax rate of 19% due primarily due to the recognition of a deferred tax asset on certain trading losses, accelerated capital allowances and short-term timing differences. The corporation tax rate remained at 19% for the year ended 31 May 2022.

5 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(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 earnings/(loss) per share, which excludes non-underlying items and the related tax thereon as disclosed in Note 7, as analysed below, has been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group.

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000
(Loss)/profit after tax for basic earnings per share	**(281)**	102	72
Non-underlying operating items	**140**	(50)	(505)
Taxation effect of the above	**-**	-	-
(Loss)/profit for underlying earnings per share	**(141)**	52	(433)

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	000	000	000
Weighted average number of ordinary shares	**105,625**	69,625	79,488
Adjustment to reflect dilutive shares under option	**3,581**	3,581	3,581

Diluted weighted average number of ordinary shares	**109,206**	73,206	83,069

There is no adjustment for the shares under option in the diluted loss per share calculation for the six months ended 30 November 2022 as they are required to be excluded from the weighted average number of shares as they are anti-dilutive.

6 Pensions

The Group operates a defined benefit pension scheme and a defined contribution pension scheme on behalf of its employees. For the defined contribution scheme, contributions paid in the period are charged to the income statement. For the defined benefit scheme, actuarial calculations are performed in accordance with IAS 19 in order to arrive at the amounts to be charged in the income statement and recognised in the statement of comprehensive income. The defined benefit scheme is closed to new entrants and future accrual.

Under IAS 19, the Group recognises all movements in the actuarial funding position of the scheme in each period. This is likely to lead to volatility in shareholders' equity from period to period.

The IAS 19 figures are based on a number of actuarial assumptions as set out below, which the actuaries have confirmed they consider appropriate. The projected unit credit actuarial cost method has been used in the actuarial calculations.

	30 November 2022	30 November 2021	31 May 2022
Salary increases	**n/a**	n/a	n/a
Pension increases (post 1997)	**3.1%**	3.2%	3.4%
Discount rate	**4.5%**	1.6%	3.4%
Inflation assumption - RPI	**3.1%**	3.3%	3.5%
Inflation assumption - CPI	**2.4%**	2.6%	2.8%

The demographic assumptions used for 30 November 2022 were the same as those used at 31 May 2022, and were based on the last full actuarial valuation performed as at 31 March 2019. The contributions expected to be paid during the year to 31 May 2023 are £362,000. The triennial valuation as at 31 March 2022 is currently in progress.

The defined benefit scheme funding has changed under IAS 19 as follows:

Funding status	**Unaudited 30 November 2022 £000**	Unaudited 30 November 2021 £000	31 May 2022 £000
Scheme assets at end of period	**11,924**	16,156	14,024
Benefit obligations at end of period	**(12,558)**	(17,233)	(13,960)
(Deficit)/surplus in scheme	**(634)**	(1,077)	64
Related deferred tax asset/(liability)	**159**	269	(16)
Net pension (liability)/asset	**(475)**	(808)	48

The change in the net pension liability since 31 May 2022 is mainly due to negative investment returns arising from a fall in the market value of scheme assets partially offset by a reduction in the value of liabilities as a consequence of an increase in bond yields increasing the discount rate.

7 Non-underlying items

	Unaudited six months ended 30 November 2022 £000	Unaudited six months ended 30 November 2021 £000	Year ended 31 May 2022 £000
Group reorganisation	**106**	-	-
Additional liability from customer claim relating to disposal of Exidor Limited	**-**	-	10
Impairment reversal relating to inventory and receivables	**-**	(84)	(498)
Dilapidations provision release	**-**	-	(84)

Share-based payment charge	**34**	34	67
Non-underlying operating costs/(income)	**140**	(50)	(505)
Taxation			
- tax effect of non-underlying costs	**-**	-	-
	140	(50)	(505)

In the six months ended 30 November 2022, the Group undertook a restructure of the senior management team at Petrel leading to redundancy and other associated costs of £106,000.

8 Net debt

	Unaudited 30 November 2022 £000	Unaudited 30 November 2021 £000	31 May 2022 £000
Financial liabilities			
Net cash	**(124)**	(6)	-
Lease liabilities	**580**	1,065	634
Invoice finance liability	**3,293**	1,508	2,243
Net debt due in less than one year	**3,749**	2,567	2,877
Lease liabilities due in more than one year	**1,814**	1,007	2,097
Net debt	**5,563**	3,574	4,974

9 Interim report

This interim results statement is available on the Group's website, www.chamberlin.co.uk.