Chamberlin plc

Annual Report and Accounts for the year ended 31 May 2023

PROUD HERITAGE, EXCITING FUTURE

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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.

"I am pleased to report significant operational improvements across the Group for the year ended 31 May 2023. The Group is well positioned to continue its journey to a full recovery and expects to return to a more sustainable level of profitability"

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
- Foundry and machining production capacity available to support growth in markets where industry capacity is constrained in the UK
- 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

Key Points
Financial

- Improvement in Group operational performance continued in FY23, with a 68% increase in adjusted EBITDA and 94% reduction in cash outflow from operations
- Revenue of £20.7m (2022: £16.8m) was 23% higher than the prior year, following a 24% increase in revenue from the Foundry division and an 18% increase from the Engineering division
- The underlying operating loss reduced 17% to £0.6m (2022: £0.7m loss), with improving gross profit margins across both divisions being held back by an unexpected bad debt charge of £0.2m in the Foundry division. Excluding the bad debt, the operating loss would have reduced by 44% to £0.4m
- Underlying loss before taxation amounted to £1.1m (2022: £1.0m), and was adversely impacted by the effect of increases in the Bank of England base rate on financing costs
- The statutory result before tax was just above break-even (2022: £0.5m loss) and represents a 107% reduction from the prior year following the reversal of impairment losses previously taken in the Foundry division, reflecting the improved current year performance and future prospects at Chamberlin & Hill Castings (CHC)
- Loss after tax of £0.1m (2022: £0.1m profit) reflects one-off deferred tax charge of £0.3m relating to prior year enhanced capital allowance claims. Excluding the one-off deferred tax charge, profit after tax would have been £0.2m and ahead of last year
- Underlying diluted loss per share of (0.8)p (2022: (0.5)p loss per share)
- Total diluted loss per share of (0.1)p (2022: 0.1p earnings per share)

Operational

- Foundry revenues increased by 24% to £16.9m (2022: £13.6m) reflecting a recovery in revenue at CHC which increased by 22% and continued strong growth of 26% at RDC
- Foundry operating loss reduced to £0.2m (2022: (£0.5m loss) driven by a 48% reduction in losses at CHC following a successful period of new order intake. Excluding a bad debt charge of £0.2m, the operating result improved by 100% to break-even
- Engineering revenues of £3.8m increased by 18% (2022: £3.2m) continuing impressively from the 21% increase in 2022. This continued growth contributed to another record operating profit of £0.6m (2022: £0.5m), a 13% improvement on the prior year
- Completed the sale and leaseback of the freehold property in Walsall in June 2023, generating gross proceeds of £2.2m

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

Adjusted EBITDA defined as operating profit before interest, taxation, depreciation, amortisation and non-underlying items

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders a continuation this year of the turnaround in the fortunes of Chamberlin from the low point of our recent history in 2021. The vast majority of our key operational metrics have again taken a significant step forward in the year, building on the progress made in 2022. Revenue increased by 23%, adjusted EBITDA improved by 68%, the loss before tax reduced by 107% to just above break-even and operating cash outflow reduced by 94%.

The most satisfying part of the Group's operating performance in 2023 has been the turnaround in the fortunes at Chamberlin & Hill Castings (CHC), which in the previous two financial years had been diluting the strong performances of Russell Ductile Castings (RDC) and Petrel. Although CHC was not profitable overall in 2023 due largely to headwinds in the first half, it increased its revenue by 22% and reduced operating losses by 48% and was successful in securing new programs with customers, the full benefit of which will come through in 2024 and for several years ahead.

RDC and Petrel continue to go from strength to strength and continue to win new business and market share, delivering revenue growth of 26% and 18% respectively in 2023. Both of these businesses have been re-invigorated further by the appointment of new management teams that share the Board's ambitions to continue their recent growth trajectory and to develop the business as leaders in product development, innovation and technical excellence in their respective markets.

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 and in June 2023 the sale and leaseback of its freehold property in Walsall was completed. The transaction generated gross proceeds of £2.2m, of which £1.1m was paid to the pension fund to reduce the deficit by around half on a trustee's basis and to eliminate the 31 May 2023 deficit entirely from the Group balance sheet. The Board continues to review the various options available to support the Group's working capital requirements as we continue to deal with repaying legacy debt and providing adequate funding for three growing businesses.

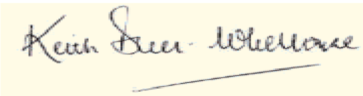
The Board and Staff

The Board has remained focused on continuing to improve the operational performance of the business and their dedication to the cause is continuing to be reflected in the operational results across all divisions.

Our employees have continued to remain loyal through some challenging times in recent years, but we are now beginning to see the fruits of their endeavours and the green shoots of a prosperous future. Chamberlin's transformation to a sustainably profitable Group will be driven through the tireless efforts of our people and I am confident that we have a workforce that share the Board's aims and who have the right skills, attitude, and talent to take the Group forward for the benefit of all our stakeholders.

Outlook

Whilst having delivered incrementally modest improvements to operating performance in the last two years, the Board firmly believes that all of the Group's businesses will make further progress in 2024 and that Chamberlin will deliver the step change in performance we have been working towards. The Board is anticipating a further increase in revenue of between 15% and 20% and profit after tax of between £0.8m and £1.0m in FY24.



KEITH BUTLER-WHEELHOUSE
CHAIRMAN

30 November 2023

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 ton castings, in a wide variety of iron grades.
- The machining centre, opened in 2017, supports the light castings made in Walsall.

The Engineering Division manufactures and supplies hazardous area lighting to regulated markets operating from a site in Birmingham.

Principal Markets

The Group manufactures products that are used across a highly diversified number of industries, including:

Passenger automotive vehicles

Commercial vehicles

Heavy plant and machinery

Renewable energy

Oil and gas

Ports and shipping

Infrastructure projects

Direct exports are an important part of the Group's activities and accounted for 24% of revenue in 2023 (2022: 21%) 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.

STRATEGIC REPORT

The Directors are pleased to present the Strategic Report for the year ended 31 May 2023, further details of which can be found on pages 7 to 13.

The matters that are required to be included in the Strategic Report and where they can be found are shown below:

- 1. fair review of the business of the company (page 7)
- 2. description of the principal risks and uncertainties facing the company (page 12)
- 3. the development and performance of the business of the company during the financial year (page 7)
- 4. the position of the company at the end of the year, consistent with the size and complexity of the business (page 7)
- 5. analysis using financial key performance indicators (page 11)
- 6. Non-financial information about:
    - environmental matters (pages 13);
    - the company's employees (pages 15 and 23);
    - community issues (page 15);
    - social matters (page 13);
    - respect for human rights (page 15); and
    - anti-corruption and anti-bribery matters (page 17)
- 7. a description of the principal risks relating to the specified non-financial matters arising in connection with the company's operations (page 12)
- 8. Review of strategy and business model (pages 7 and 8)
- 9. The strategic report must include a statement (a 'section 172(1) statement') which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172 (page 13).

The Strategic Report was approved by the Board 30 November 2023 and signed on its behalf by:

KEVIN PRICE
CHIEF EXECUTIVE

CHIEF EXECUTIVE'S REVIEW

2023 has been a year of consolidation and modest progress that gives the Board the confidence of a return to sustainable operational profitability in 2024. It was particularly satisfying that all three of the Group's trading subsidiaries, Chamberlin and Hill Castings (CHC), Russell Ductile Castings (RDC) and Petrel, improved their revenue and operating results when compared to 2022. Work winning across the divisions has been strong during the year and they each enter the new financial year with solid order books and opportunities to further enhance growth.

Group revenue of £20.7m (2022: £16.8m) was 23% higher than the prior year reflecting a strong increase in operational performance across all divisions, with revenue increasing by 22% at CHC, 26% at RDC and 18% at Petrel. The improvement at CHC included new programs secured at the foundry and more importantly, new orders for the machining facility which had been significantly under-utilised for around 18 months from the end of the 2021 financial period. The investment made at RDC at the end of 2022 to improve its production capacity was a contributing factor to the increase in revenue, as customer demand that previously would have been unfulfilled was able to be delivered. The increase in revenue at Petrel in 2023 was largely driven by the UK market, and in particular growth in sales of portable lighting.

The underlying operating loss reduced to £0.6m (2022: £0.7m), with an improvement in gross profit margins and financial operating performance from the trading divisions partially offset by increased corporate costs and a one-off bad debt charge of £0.2m. Excluding the bad debt charge, the operating loss would have been 44% lower than the previous year at £0.4m. The improved gross profit margin at CHC and RDC was largely due to operational efficiencies deriving from higher revenue, thereby increasing productivity and achieving economies of scale savings. Petrel maintained its operating profit margin at around 16% despite some supply chain cost pressures in the early part of the financial year associated with the war in Ukraine, which initially limited the availability of certain electronic components.

Net interest costs increased to £0.5m (2022: £0.3m), primarily reflecting the impact on invoice financing costs of consecutive monthly increases in the Bank of England base rate during the year. This resulted in the Group making an underlying loss before tax of £1.1m (2022: £1.0m loss). With non-underlying items amounting to a £1.1m credit (2022: £0.5m credit), the statutory result before tax was just above break-even (2022: £0.5m loss), a 107% improvement on the previous year. The non-underlying credit of £1.1m in 2023 is largely the result of the reversal of £1.4m of the £3.8m impairment charge recognised in 2021 against plant and machinery at CHC's machining facility. This impairment reversal reflects an increase in activity during the year and the return to sustainable profitability in the medium term for the machining facility based on the new programs it has secured. The tax charge in 2023 amounted to £0.2m (2022: £0.6m credit) and reflected a one-off deferred tax charge adjustment of £0.3m relating to enhanced capital allowances claimed in the prior tax year, and losses arising in the current year on which a deferred tax asset could not be recognized of £0.3m. These charges were largely offset by research and development tax credits receivable of £0.3m and a deferred tax asset of £0.3m recognised on trading losses in respect of RDC in the light of their continued improved financial performance. The loss after tax amounted to £0.1m (2022: £0.1m profit) but excluding the one-off prior year deferred tax charge of £0.3m would have been ahead of the prior year at £0.2m profit.

The Board and senior management have continued to prioritise improving liquidity and cash flow and strengthening the Group balance sheet during this period of high revenue growth. Net cash outflow from operations of £0.2m (2022: £4.0m outflow) was a considerable improvement on the prior year due to a rigorous focus on working capital flows, which improved from a £2.7m outflow in 2022 to a £0.2m inflow in the current year. The Board recognises the belief that shareholders have in the prospects of the Group and appreciate the support shareholders provided through a £0.65m equity fundraising in January 2023, and then subsequent to the year end, a further £0.33m to support the investment and growth opportunities that the Group has. In addition, to further improve balance sheet strength and liquidity, the Group completed the sale and leaseback of its Walsall property in June 2023. The transaction generated gross proceeds of £2.2m, of which £1.1m was used to reduce the pension scheme deficit. This payment to the pension scheme effectively reduced the deficit in the scheme on a Trustee basis by half and eliminated the deficit on the balance sheet at 31 May 2023 of £0.6m. With the ongoing repayment of legacy debts and three growing businesses that need working capital to execute Chamberlin's growth plans, the Board continues to maintain a rigorous focus on cash management and to review its funding options to improve liquidity.

At the end of June 2023, the triennial valuation of the pension scheme was completed, and a revised schedule of deficit recovery payments was agreed with the Trustees. The deficit recovery payments now being made to the scheme are expected to eliminate the deficit by September 2027, a significant improvement on the expectations at the previous valuation date in 2019 of August 2032.

This financial year has seen the Group maintain its strategic course for a return to sustainable operational profitability and the Board now believe that 2024 will see a return to a level of sustainable profitability not seen at Chamberlin for almost a decade The prospects of the Group's three trading subsidiaries that support the Board's view regarding profitability are discussed below:

Chamberlin & Hill Castings Ltd - Casting Facility and Machining Facility ("CHC")

CHC has been successful in its strategy of diversification away from the automotive sector having secured a number of new programs and orders that will utilise some of the excess capacity at the foundry and machining facility.

During the year, orders with a potential aggregate annualised revenue value of approximately £1.2m were secured in the construction, cast iron radiator and commercial vehicle markets. Production commenced on all these programs at the end of the first quarter of the 2023 calendar year, with volumes ramping up through the course of the 2024 financial year. A significant proportion of these new orders are the result of the concerted efforts of customers to source from local UK supply chains and CHC has the excess capacity and technical expertise to be able to benefit further from this trend.

In June 2023, the company also secured a major new contract worth approximately €7.3 million of revenue over an eight-year term with a leading European automotive industry components supplier. Under the contract, CHC will supply complex turbo-charger bearing housing castings to the European automotive OEM that will be utilised in its passenger car engines. Secured after a rigorous competitive tender process, tooling production commenced in July 2023 and supply of the pre-series sample production parts will take place throughout FY24. Serial production commences in July 2024 and is expected to contribute annual revenues of approximately €1.1 million. This contract provides an element of long-term visibility and security of revenue and utilises some of the excess capacity at CHC which will drive labour productivity improvements and enhance profitability.

Furthermore, in November 2023, CHC received a letter of intent and tooling orders from an existing customer in relation to two 10-year serial production programs for products in the heavy plant sector. Manufacture of the tooling has commenced, and sample production will take place through 2024, with the approval to enter production expected in the final quarter of the 2024 calendar year. These programs will ramp up through the early part of 2025 and are expected to contribute approximately €7.1 million of revenue over their lifetime.

CHC's machining facility has also won several recent new orders that will see production ramp up by the end of this calendar year as these programs gather momentum. These orders are expected to have an aggregate annualised revenue value of around £1.0m and will enable five out of the six machining cells to be fully occupied on a single shift basis for the first time in nearly two years.

In addition, CHC, through its Emba cookware brand, has entered into an agreement with a well-established cookware company to develop, market and sell, a jointly branded cookware range, through their substantial existing network of distributors and retailers. The initial product range entered production in October 2023 and became available for retail sale in November. This arrangement is a promising and exciting development for the Group's Emba brand, providing access to a much wider customer base than could have been established with the Group's in-house resources and supporting the potential for Emba to become a more meaningful contributor to CHC's diversification strategy.

CHC has a strong order book, supported by sizeable long-term contract wins, and is expected to achieve further revenue growth in 2024. In addition, CHC is in the process of developing its capability to deliver products in ductile iron for the first time. This is in response to a substantial increase in enquiries from new and existing customers for products made from this type of iron, which will open up access to a vastly greater market where demand is extremely buoyant and foundry capacity is limited.

Russell Ductile Castings Ltd (“RDC”)

RDC’s prospects for continuing its progress in the new financial year are positive, supported by a large, high-quality order book. RDC has been extremely successful in winning new orders from blue-chip companies with an annualised value in excess of £4m following the demise of a competitor foundry. In addition, RDC has signed a two-year exclusivity agreement for an established company in the renewables sector, with the potential to generate up to £1m of revenue per annum. This agreement further entrenches RDC’s strong position in the buoyant renewables market, which is expected to continue to expand with further UK Government funding for wind and tidal power announced in August 2023. In addition, RDC is enhancing its current steel making capabilities in order to fulfill demand from existing customers that previously the Group had to turn away.

Year to date operating profit in the 2024 financial year is 50% higher than the corresponding period in 2023 and the strength of the order book gives the Board confidence that this trend can continue for the remainder of this financial year.

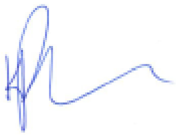
Petrel Ltd

Petrel’s operating performance has improved markedly in the last two financial years and the Board expects this to continue in the 2024 financial year. Having delivered two consecutive years of record operating profit, Petrel is on track to improve again this year. Having changed the management team in 2022, the Board has supported the addition to the sales force of a European Business Development Manager and an Eastern European Agent to drive the strategy of increasing export sales from around 20-25% to 35-40% of total sales by 2026. Petrel continues to improve its offering through enhancing existing product ranges and providing lighting design services that give customers tailor-made lighting solutions that exactly meet their requirements and needs in an energy efficient and cost-effective way.

During 2023, Petrel has invested in two new machines that will enhance productive capacity and deliver cost-saving efficiencies. In the first half of the current financial year, Petrel has introduced upgrades to its product range, including a self-test emergency option for the popular 7 series. With expectations of double-digit revenue growth again in 2024 at operating margins that have consistently been around 16% for the last 2 years, the Board believes that Petrel is well placed to contribute a materially enhanced operating profit in 2024.

Outlook

From the challenging position Chamberlin found itself in at the end of the 2021 financial period, the Group has made year on year progress on its journey to a sustainable return to operational profitability. The economic headwinds that have been a feature of the last two years have made this journey more challenging and therefore it has taken longer than the Board anticipated. However, these headwinds are now largely in the past and the improvements and building blocks that have been hard fought over the last two years have put the Group into the position where the strategic goal of returning to operational profitability is expected to be delivered in the 2024 financial year.



KEVIN PRICE
CHIEF EXECUTIVE

30 November 2023

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.

ENGINEERING Division

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

By operating segment

	Segmental revenue		**Segmental operating profit/ (loss)**	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Foundries	**16,889**	13,604	**(210)**	(463)
Engineering	**3,829**	3,232	**606**	535
Segment results	**20,718**	16,836	**396**	72

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
Return on sales (%)	The ratio of the segment's trading profit to the segment's sales.			
	2023	(1.2)	15.8	(2.8)
	2022	(3.4)	16.6	(4.2)
	The trading profit is defined in the segmental analysis in Note 3.			
Cash flow (£m)	The net increase in net debt			
	2023			(0.6)
	2022			(3.2)
Return on net assets (%)	The ratio of the segment's trading profit to the segment's net assets (as analysed in Note 3).			
	2023	(4.2)	3,787.5	(6,522.2)
	2022	(11.5)	(622.1)	(172.3)
Sales per employee (£000)	The ratio of the segment's sales to the segment's average number of employees.			
	2023	125.1	159.5	124.8
	2022	88.4	141.0	91.1

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 18.

Risk	Description of risk & potential impact	Mitigation
Technological changes in the automotive sector	Revenue in 2023 from passenger vehicle combustion engine components represented around 11% of total Group revenue. Technological advancement towards green technologies for passenger vehicles and away from combustion engines is expected to gather pace over the next five to ten years, leading to a gradual reduction in revenue from this market and a negative impact on the financial performance of the Group.	The Board are fully aware of these developments in our automotive markets and diversification away from passenger vehicle combustion engine components is an embedded component of the Group's strategy. This has been successful in 2023 as we secured new work in the commercial vehicle, cast iron radiator and heavy construction plant markets along with a joint marketing agreement for our Emba cookware.
Foreign currency fluctuation	Approximately 18% of Group revenue in 2023 was 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 hedges at least 50% of its Euro exposure through forward contracts and reviews the hedged position regularly throughout the year, adjusting where necessary.
Machine shop capacity utilisation	Capacity at the Group's machining facility continues to be under-utilised, with a failure to replace this lost revenue having the potential to have an adverse impact on the financial performance of the Group.	Opportunities to increase revenue continue to be actively sought and has led to new orders in 2023 that have resulted in five of the six machining lines now being fully operational.
Raw material pricing fluctuation	The price of many raw materials is dependent upon movements in commodity prices, especially iron, coke and energy costs, which can be influenced by geo-political events, such as the war in Ukraine.	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. In relation to electricity costs, the Foundries division has a fixed price contract in place for its electricity supply until early 2025.
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, and cyber crime, could have a major impact on operations.	Development and regular testing of business continuity plans. IT services are fully outsourced to a specialist IT company that provide expertise and monitoring of systems and security. 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 from recessionary pressures, particularly in automotive, 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 uses external specialist on a ad hoc basis to advise on marketing matters. During 2023, the Group entered into an agreement with a major cookware brand for the distribution of jointly branded cookware through their network of online websites and physical shops. This kind of strategic partnership is now viewed as the blueprint for penetrating new consumer-led markets.
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, including liquidity risk, is set out in Note 23 to the financial statements.

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 year.

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:

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 17.
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 15. Paragraph (a) of the Directors' Report on page 23.
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 15.
The impact of the Company's actions on the community and the environment	The Board is mindful of it's 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 23.
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 17.
The need to act fairly between shareholders	The Board believes that all shareholders should be treated equally, with no particular group of shareholders unfairly favored over any other. The Board believes that open communication with all shareholders is key to achieving this objective.	Paragraph 2 on page 15 and paragraph 10 on page 18 of the Corporate Governance Report.

The Strategic Report was approved by the Board 30 November 2023 and signed on its behalf by:

KEVIN PRICE
CHIEF EXECUTIVE

CORPORATE GOVERNANCE

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 55, 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.

Trevor Brown

Aged 77. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Keith Butler-Wheelhouse

Aged 77, 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.

Kevin Nolan

Aged 67, 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 was a Non-Executive Director of Operational Risk Consortium Limited until March 2022.

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 was defined in 2022 to deliver sustainable profitable growth over the medium to long term by diversifying away from reliance on the automotive sector, investing in plant and machinery to increase capacity and investing in new products in markets with strong growth characteristics and opportunities.

Further details are provided in the Chairman's' Statement and the 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 periods. 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 senior operational managers by invitation.

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 behavior 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 the Board meetings that discuss monthly performance.

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. For example, in 2023 Russell Ductile Castings were pleased to sponsor a local youth football team by providing much needed kit.

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 quarterly basis (in the absence of ad hoc material events) including revenue, profit and cash.
- 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 the current status against set criteria. A monthly health and safety dashboard is also reported to the Board. These mechanisms ensure that 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 material contracts are approved by the Finance Director or Chief Executive prior to signing.
- A dedicated outsourced IT provider that proactively monitors 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 three Executive Directors and two Independent 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 14 'The Board'. Training is provided to Directors at the Company's expense as required.

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 weekly with ad hoc Board meetings as the business demands in order to facilitate decision-making. Details of the Directors' attendance at Board meetings are set out on page 18. 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 in advance of the meetings where possible, giving Directors time to review the documentation and enabling an effective meeting. Resulting actions are tracked and detailed minutes maintained for appropriate delivery and follow up. In addition, 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.

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 is a continuous process. 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 behaviors

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 are required to 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 behaviors 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 behavior 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.

The Chairman and the Board believe that the corporate culture is appropriate and consistent with the description of the principal risks and uncertainties disclosed in the strategic report on page 12.

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 year	39	-	1	2
Trevor Brown	39	n/a	n/a	n/a
Keith Butler-Wheelhouse	35	-	1	2
Kevin Nolan	36	-	1	2
Kevin Price	37	n/a	n/a	n/a
Alan Tomlinson	36	n/a	n/a	n/a

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 2023

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:

Kevin Nolan (Chairman)
Keith Butler-Wheelhouse

The Audit Committee meets twice during the year and details of the attendance at meetings are shown on page 18.

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.

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 year ended 31 May 2023, and the unaudited results for the six months to 30 November 2022, 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 year ended 31 May 2023 were as follows:

- impairment of assets. In 2021 following the cancellation of all contracts by BorgWarner, the Directors undertook a detailed impairment review of the foundry division cash generating unit (CGU) that was impacted by this decision. This review was updated in 2023 in the light of the CGUs financial performance in the year and future prospects included in the three-year forecast. The review concluded that the impairment charge recognised in 2021 could be partially reversed in relation to property, plant and equipment as the value in use was deemed to be higher than the 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. The Audit Committee also reviewed the judgements made in relation to slow moving and obsolete stock provisions in the CGU, which were reviewed in the light of new contract wins in the year and forecast increases in revenue in the three-year forecast. The Audit Committee concluded that the judgements made appeared reasonable on the basis of expected contracted volumes and the three-year forecast for the CGU.
- pension scheme valuation. The closed defined benefit pension scheme valuation returned a deficit of £639,000 which has been recognised on the balance sheet. The Audit Committee reviewed the appropriateness of the assumptions used by the external actuary in deriving the valuation and found them to be reasonable.
- deferred tax asset. The Audit Committee reviewed the recoverability of the deferred tax asset recognised on the balance sheet of £1,173,000, which included the recognition of a deferred tax asset of £435,000 relating to trading losses in Russell Ductile Castings. The Committee reviewed the tax computations prepared by the Group's tax adviser and concluded that the deferred tax asset recognised was reasonable in the light of the two-year profit forecasts for Russell Ductile Castings.
- going concern. The Audit Committee reviewed the appropriateness of the two-year forecast 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 principal 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.

- dilapidations provisions. The Directors in the year reassessed the judgements made concerning the future cost of returning the leased properties to the landlords in the condition specified in the lease. This reassessment was based on negotiations concluded with the landlord in the year and a third party estimate of the remaining expected cost. 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 2023

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

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.

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. Kevin Price has an annual base salary of £120,000 and Alan Tomlinson has an annual base salary of £100,000. These base salaries will remain in place for the year ended 31 May 2024.

The Company operates a defined contribution pension scheme for the majority of its employees, including Executive Directors. No performance-related bonuses or benefits in kind are included in pensionable salary.

(b) Annual performance-related bonus scheme

In the light of financial constraints while the turnaround of the Group is only partially complete, there was no bonus scheme for the Executive Directors in the financial year ended 31 May 2023. Any future bonus scheme will be based on the financial position of the Group, which will be reviewed at the end of each financial year. There is no bonus scheme in place for the financial year ended 31 May 2024.

(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. No share options were granted in the 2023 financial year.

Service Contracts

Kevin Price and Alan Tomlinson have service contracts terminable on three months' notice. The Remuneration Committee approved an annual salary of £75,000 for Trevor Brown on 1 June 2021 in recognition of his change in role from a Non-Executive Director to Executive Director.

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. In November 2021, the Committee approved a consultancy services agreement with Kevin Nolan for project management services over and above that normally provided by a Non-Executive Director.

Directors' Remuneration

					Total remuneration excluding pensions	
	Basic salary £000	Consultancy £000	Benefits £000	Compensation for loss of office £000	**2023 £000**	2022 £000
Executive						
Kevin Price*	120	-	8	–	**128**	125
Alan Tomlinson	100	**-**	9	–	**109**	107
Trevor Brown	75	–	–	–	**75**	75
Non-Executive						
Keith Butler-Wheelhouse	30	–	–	–	**30**	30
Kevin Nolan	24	30	–	–	**54**	47
Total 2023	**349**	**30**	**17**	**–**	**396**	–
Total 2022	344	22	18	**–**	**–**	384

* Highest paid Director in 2023 and 2022

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 year. 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 (2022: nil), which is a closed defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	**Contribution paid 2023 £000**	Contribution paid 2022 £000
Kevin Price	5%	**6**	6
Alan Tomlinson	5%	**5**	5

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

Directors' Shareholdings and Share Options

The directors' interests in the ordinary share capital of the company (including the interest of connected persons) are set out in the Directors' Report on page 24.

Share Options	31 May 2022	Granted in year	Exercised in year	Lapsed or forfeited in year	**31 May 2023**	Option exercise price	Exercisable between
Kevin Nolan	**666,666**	–	–	-	**666,666**	6.0p	14.05.24 – 14.05.31
Kevin Price	**666,666**	–	–	–	**666,666**	6.0p	14.05.24 – 14.05.31
Alan Tomlinson	**555,000**	–	–	–	**555,000**	6.0p	14.05.24 – 14.05.31
	1,888,332	–	–	–	**1,888,332**		

Share options at 31 May 2023 relate to awards made under the Chamberlin Performance Share Plan and will become exercisable from the third anniversary of the date of grant until the tenth anniversary of the date of grant, subject to the continuing employment of the option holder.

No consideration is payable for the grant of an option.

No share options have been exercised in 2022 or 2023.

On 27 July 2023, Kevin Price was granted options over 1,800,000 ordinary shares of 0.1p each at an exercise price of 2.95p under the existing Chamberlin Performance Share Plan.

The mid-market price of the ordinary shares at 31 May 2023 was 3.1p and during the year ranged between 3.1p and 5.0p.

On behalf of the Board

KEVIN NOLAN
CHAIRMAN, REMUNERATION COMMITTEE

30 November 2023

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 May 2023. The Strategic Report, which contains a review of the Group's business, a description of the principal risks and uncertainties facing the Group and commentary on the likely future developments, is set out in the Strategic Report section of the Annual Report on pages 7 to 13.

The Company is a Public Limited Company limited by shares and registered in England with a registration number of 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:

	2023	2022
Foundries	**135**	154
Engineering	**23**	23
Head office*	**7**	8
Group	**165**	185

* 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. On 1 June 2021, Kevin Price and Alan Tomlinson were appointed to the Board as Chief Executive and Finance Director respectively, having previously held senior positions within the Chamberlin group.

(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 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 for our IFW and Emba branded consumer products and 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 (2022: nil p). No interim dividend (2022: 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 22.

See Board of Directors on page 14 for details of all Directors during the year, including appointments and resignations.

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 is indemnity insurance in place in respect of the costs of defending civil, criminal and regulatory proceedings brought against them in their capacity as Directors, subject always to the limitations set by the Companies Act 2006.

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

	At 31 May 2023 Number of shares	At 31 May 2022 Number of shares
Trevor Brown	**34,336,915**	29,175,000
Keith Butler-Wheelhouse	**1,757,866**	620,127
Kevin Nolan	**–**	–
Kevin Price	**–**	–
Alan Tomlinson	**–**	–

In the period from 1 June 2023 to 30 November 2023, Trevor Brown acquired further shares which increased his shareholding to 35,421,915.

Special Business at the Annual General Meeting
Directors' authority to allot shares
As in previous years, 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 £55,141 (which represents approximately 40% of the issued ordinary share capital of the Company as at 30 November 2023).

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 £55,141. This sum represents 55,141,471 ordinary shares of 0.1 pence each, being equivalent to 40% of the issued share capital of the Company at 30 November 2023.

Authority to purchase own shares
At the Annual General Meeting in November 2022, 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 share). 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 13,785,368 of its own shares, again representing 10% of its issued share capital at 30 November 2023.

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 73 and 74.

Significant Shareholders

At 30 November 2023, 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
Armstrong Investments Limited	14,000,000	10.2
Premier Fund Managers Limited	13,356,434	9.7
Janus Henderson Investors Limited	10,034,355	7.3
AXA Investment Managers UK Limited	9,375,000	6.8
Chelverton Asset Management Limited	9,000,000	6.5
Hargreaves Lansdown Stockbrokers	5,932,279	4.3
Winterflood Securities Limited	4,919,576	3.6

At the Annual General Meeting to be held on 3 January 2024 (see the Notice of Annual General Meeting on pages 73 and 74), all of the Directors will retire and, being eligible, offer themselves for election and re-election as applicable.

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 UK adopted international accounting standards. 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 UK adopted International Accounting Standards 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

At the balance sheet date, the Group is funded principally by an invoice finance facility of up to 90% of the value of outstanding invoices, subject to a facility maximum of £4.5m, of which £3.5m had been drawn, and also by £0.9m of leases for major items of capital equipment. The invoice finance facility is a rolling contract with 3 months notice and has been in place for 9 years with no change in terms and conditions. It is reviewed annually every March and the Director's going concern assessment assumes that these facilities will continue to be in place throughout the forecast period. The leases for capital equipment primarily relates to an agreement of 42 months duration ending in September 2025 for plant and equipment at the Group's machining facility. The Group also occupies property under right of use leases, with the future payments giving rise to liabilities of £1.2m at 31 May 2023, with the longest duration lease ending in 2032.

The Director's assessment of going concern is based on the Group's detailed forecast for the two years ending 31 May 2024 and 31 May 2025, which reflect the Director's view of the most likely trading conditions. Since the balance sheet date, Chamberlin plc completed the sale and leaseback of its property in Walsall generating gross proceeds of £2.2m, raised £0.3m from a share placing and agreed a Time To Pay arrangement over 12 months with HMRC in relation to PAYE arrears of £1.7m that completes in September 2024.

The forecast includes revenue growth assumptions across all of the Group's businesses. At Chamberlin and Hill Castings, these assumptions are based on secured orders and programs and are based on customer estimates of future demand and historical run rates. At Russell Ductile Castings, the forecasts assume that revenue growth will be derived from work recently won for new customers following the demise of a competitor foundry and are based on customer estimates of future demand and expected run rates. At Petrel, revenue growth assumptions are based on the introduction of new or upgraded products and a strategic drive to increase export sales.

The Directors have applied reasonably foreseeable downside sensitivities to the forecast, including an assumption that sales growth in the two largest businesses, namely Chamberlin and Hill Castings and Russell Ductile Castings, are both 20% lower than expectations. 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 2024 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. The Directors have considered how they will respond to any working capital challenges bearing in mind the points raised above. Firstly the business constantly looks at cost minimisation and that process could be accelerated if required. Secondly, if access to alternative debt funders were not successful in the short term, the business will consider other funding options, including equity, to support working capital requirements.

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 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 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 14. 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
Crowe U.K. LLP resigned as auditor during the year and MHA was appointed in its place. A resolution will be proposed to reappoint MHA as auditor and to authorise the Directors to determine their remuneration at the forthcoming Annual General Meeting.

By order of the Board

ALAN TOMLINSON
COMPANY SECRETARY

30 November 2023

FINANCIAL STATEMENTS

INTRODUCTION

Welcome to the financial statements section of the Annual Report.

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 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 UK adopted 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 for easier navigation:

- Basis of Preparation,
- Results of the year,
- Operating Assets and Liabilities
- Capital Structure
- Other Notes

The purpose of this format is to provide readers with a clear understanding of what drives the financial performance of the Group.

ALAN TOMLINSON
FINANCE DIRECTOR

30 November 2023

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2023

		2023			2022		
	Notes	Underlying £000	Non-underlying* £000	Total £000	Underlying £000	Non-underlying* £000	Total £000
Revenue	3	**20,718**	**–**	**20,718**	16,836	–	16,836
Cost of sales		**(17,892)**	**–**	**(17,892)**	(15,038)	–	(15,038)
Gross profit		**2,826**	**–**	**2,826**	1,798	–	1,798
Other operating expenses	4,10	**(3,413)**	**1,155**	**(2,258)**	(2,501)	505	(1,996)
Operating (loss)/profit	7	**(587)**	**1,155**	**568**	(703)	505	(198)
Finance income		**136**	**–**	**136**	26	–	26
Finance costs	6	**(666)**	**–**	**(666)**	(337)	–	(337)
(Loss)/profit before tax		**(1,117)**	**1,155**	**38**	(1,014)	505	(509)
Tax credit/(charge)	8	**180**	**(343)**	**(163)**	581	–	581
(Loss)/profit for the year attributable to equity holders of the parent company		**(937)**	**812**	**(125)**	(433)	505	72
Total (loss)/earnings per share:							
Basic	9			**(0.1)p**			0.1p
Diluted	9			**(0.1)p**			0.1p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

	Notes	**2023 £000**	2022 £000
(Loss)/profit for the year		**(125)**	72
Other comprehensive income/(expense)			
Movements in fair value of cash flow hedges taken to other comprehensive income/(expense)		**5**	(158)
Recycled to the income statement		**(135)**	-
Deferred tax on movement in cash flow hedges (including change in tax rate)	8	**32**	40
Net other comprehensive expense that may be recycled to profit and loss		**(98)**	(118)
Remeasurement (loss)/gain on pension scheme assets and liabilities	20	**(1,073)**	332
Deferred tax on remeasurement (loss)/gain on pension scheme (including change in rate)	8	**204**	(63)
Gain on revaluation of property, plant and equipment		**-**	1,003
Net other comprehensive (expense)/income that will not be recycled to profit and loss		**(869)**	1,272
Other comprehensive (expense)/income for the year net of tax		**(967)**	1,154
Total comprehensive (expense)/income for the year attributable to equity holders of the parent company		**(1,092)**	1,226

CONSOLIDATED BALANCE SHEET

AT 31 MAY 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	11	**5,235**	3,506
Intangible assets	12	**127**	283
Deferred tax asset	16	**1,173**	1,434
Defined benefit pension scheme surplus	20	**-**	64
		6,535	5,287
Current assets			
Inventories	13	**3,262**	3,143
Trade and other receivables	14	**4,506**	3,997
Income tax receivable	14	**286**	306
Cash at bank		**157**	-
		8,211	7,446
Total assets		**14,746**	12,733
Current liabilities			
Financial liabilities	15	**4,096**	2,877
Trade and other payables	15	**7,572**	6,475
		11,668	9,352
Non-current liabilities			
Financial liabilities	16	**1,602**	2,097
Deferred tax	16	**40**	70
Provisions	16	**806**	806
Defined benefit pension scheme deficit	20	**639**	-
		3,087	2,973
Total liabilities		**14,755**	12,325
Capital and reserves			
Share capital	17	**2,107**	2,087
Share premium account		**6,882**	6,308
Capital redemption reserve		**109**	109
Hedging reserve		**2**	100
Revaluation reserve		**1,003**	1,003
Retained earnings		**(10,112)**	(9,199)
Total equity		**(9)**	408
Total equity and liabilities		**14,746**	12,733

KEVIN PRICE
DIRECTOR

ALAN TOMLINSON
DIRECTOR

The accounts were approved and authorised for issue by the Board of Directors on 30 November 2023

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2023

	Note	**2023 £000**	2022 £000
Operating activities			
Profit/(loss) for the year before tax		**38**	(509)
Adjustments to reconcile profit/(loss) for the year to net cash outflow from operating activities:			
Finance income		**(136)**	(26)
Finance costs	6	**666**	337
Impairment reversal on property, plant and equipment, inventory and receivables	10	**(1,372)**	(498)
Dilapidations provision reversal	10	**-**	(84)
Depreciation of property, plant and equipment	11	**436**	324
Amortisation of intangible assets	12	**39**	24
Profit on disposal of property, plant and equipment		**-**	(66)
Foreign exchange rate movements		**(140)**	(1)
Share-based payments	10	**99**	67
Defined benefit pension contributions paid		**(362)**	(935)
Increase in inventories		**(303)**	(945)
Increase in receivables		**(499)**	(168)
Increase/(decrease) in payables		**1,000**	(1,557)
Corporation tax received		**306**	-
Net cash outflow from operating activities		**(228)**	(4,037)
Investing activities			
Purchase of property, plant and equipment	11	**(410)**	(520)
Purchase of software	12	**(5)**	(20)
Development costs	12	**(10)**	(24)
Interest received		**128**	26
Disposal of plant and equipment		**-**	1,189
Net cash (outflow)/inflow from investing activities		**(297)**	651
Financing activities			
Interest paid		**(567)**	(324)
Net invoice finance inflow	25	**1,297**	1,585
New share capital issued	17	**594**	1,624
Principal element of lease payments	25	**(642)**	(537)
Net cash inflow from financing activities		**682**	2,348
Net increase/(decrease) in cash and cash equivalents		**157**	(1,038)
Cash and cash equivalents at the start of the year		**-**	1,038
Cash and cash equivalents at the end of the year	25	**157**	-
Cash and cash equivalents comprise:			
Cash at bank	25	**157**	-
		157	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Revaluation reserve £000	Retained earnings £000	Attributable to equity holders of the parent £000
Balance at 1 June 2021	2,051	4,720	109	218	–	(9,664)	**(2,566)**
Profit for the year	–	–	–	–	–	72	**72**
Other comprehensive (expense)/income for the year net of tax	–	–	–	(118)	1,003	269	**1,154**
Total comprehensive (expense)/income	–	–	–	(118)	1,003	341	**1,226**
New share capital issued	36	1,588	–	–	–	–	**1,624**
Share-based payment	–	–	–	–	–	67	**67**
Deferred tax on share-based payment	–	–	–	–	–	57	**57**
Total of transactions with shareholders	36	1,588	–	–	–	124	**1,748**
Balance at 1 June 2022	**2,087**	**6,308**	**109**	**100**	**1,003**	**(9,199)**	**408**
Loss for the year	–	–	–	–	–	(125)	**(125)**
Other comprehensive expense for the year net of tax	–	–	–	(98)	–	(869)	**(967)**
Total comprehensive expense	–	–	–	(98)	–	(994)	**(1,092)**
New share capital issued (net of transaction costs)	20	574	–	–	–	–	**594**
Share-based payment	–	–	–	–	–	99	**99**
Deferred tax on share-based payment	–	–	–	–	–	(18)	**(18)**
Total of transactions with shareholders	20	574	–	–	–	81	675
Balance at 31 May 2023	**2,107**	**6,882**	**109**	**2**	**1,003**	**(10,112)**	**(9)**

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 January 2023 of £0.1m have been debited to share premium in the year.

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.

Revaluation reserve

The revaluation reserve includes the difference between the market valuation of property, plant and equipment and its carrying value at the date of its valuation.

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.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1

BASIS OF PREPARATION

1 Authorisation of financial statements and statement of compliance with UK adopted International Accounting Standards
The Group and Company financial statements of Chamberlin Plc (the 'Company') for the year ended 31 May 2023 were authorised for issue by the Board of Directors on 30 November 2023, 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 United Kingdom adopted International Accounting Standards, "UK adopted IAS", and in accordance with those parts of the Companies Act 2006 relevant to companies which report in accordance with UK adopted IAS.

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.

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)	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Foundries	**16,889**	13,604	**(210)**	(463)
Engineering	**3,829**	3,232	**606**	535
Segment results	**20,718**	16,836	**396**	72
Reconciliation of reported segmental operating profit				
Segment operating profit			**396**	72
Shared costs			**(983)**	(775)
Non-underlying items (Note 10)			**1,155**	505
Net finance costs (net of finance income of £136,000 (2022:£26,000))			**(530)**	(311)
Profit/(loss) before tax			**38**	(509)
Segmental assets				
Foundries			**11,828**	9,811
Engineering			**1,588**	1,425
			13,416	11,236
Segmental liabilities				
Foundries			**(6,806)**	(5,771)
Engineering			**(1,572)**	(1,511)
			(8,378)	(7,282)
Segmental net assets			**5,038**	3,954
Unallocated net liabilities			**(5,047)**	(3,546)
Total net (liabilities)/assets			**(9)**	408

Unallocated net liabilities include the pension liability of (£639,000) (2022: £64,000 asset), net debt of (£,5,541,000) (2022: £4,974,000) and a net deferred tax asset of £1,133,000 (2022: £1,364,000).

Capital expenditure, depreciation, amortisation and impairment

	Foundries		**Engineering**		**Total**	
Capital additions	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Property, plant and equipment (Note 11)	**420**	1,327	**57**	–	**477**	1,327
Software (Note 12)	**5**	20	**–**	–	**5**	20
Development costs (Note 12)	**–**	–	**10**	24	**10**	24

Depreciation, amortisation and impairment	Foundries 2023 £000	Foundries 2022 £000	Engineering 2023 £000	Engineering 2022 £000	Total 2023 £000	Total 2022 £000
Property, plant and equipment (Note 11)	**(428)**	(317)	**(8)**	(7)	**(436)**	(324)
Software (Note 12)	**(18)**	4	**(1)**	(1)	**(19)**	3
Development costs (Note 12)	**–**	–	**(20)**	(27)	**(20)**	(27)

(ii) Geographical information

Revenue by location of customer	2023 £000	2022 £000
United Kingdom	**15,709**	13,334
Italy	**2,316**	1,171
Germany	**1,665**	1,382
Rest of Europe	**274**	211
Other countries	**754**	738
	20,718	16,836

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

The Group has one individual customer in Italy which represents 10% of Group revenue (2022: 6%).

4 Other operating expenses

	2023 £000	2022 £000
Distribution costs	**564**	456
Administration and selling expenses	**2,849**	2,045
Operating expenses before non-underlying items	**3,413**	2,501
Non-underlying items (Note 10)	**(1,155)**	(505)
Operating expenses	**2,258**	1,996

5 Staff numbers and costs

The average number of people employed by the Group during the year was:	2023 Number	2022 Number
Management and administration	**30**	33
Production	**135**	152
Total employees	**165**	185

Aggregate employment costs, including redundancy, are disclosed below net of £Nil (2022: £58,000) of coronavirus job retention scheme receipts:

	2023 £000	2022 £000
Wages and salaries	**5,646**	5,137
Social security costs	**589**	535
Other pension costs (Note 20)	**201**	200
Share-based payment expense (Note 18)	**99**	67
	6,535	5,939

The average number of people employed by the Company during the year was:	2023 Number	2022 Number
Management and administration	**7**	8

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

	2023 £000	2022 £000
Wages and salaries	**491**	476
Social security costs	**47**	45
Other pension costs	**15**	15
Share-based payment expense (Note 18)	**99**	67
	652	603

Directors' remuneration summary	**2023 £000**	2022 £000
Directors' remuneration	**396**	384
Company contributions to money purchase pension scheme	**11**	11
Share-based payment charge of options granted to Directors (see Note 18)	**35**	35

Number of Directors accruing benefits under:	**2023 Number**	2022 Number
Defined contribution pension schemes	**2**	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 21 to 22.

The total amount payable to the highest paid Director in respect of remuneration was £134,000 (2022: £131,000).

Company pension contributions of £6,000 (2022: £6,000) were made to a money purchase pension scheme on his behalf.

6 Finance costs

	2023 £000	2022 £000
Finance costs		
Bank overdraft and invoice finance interest payable	**(365)**	(94)
Interest expense on lease liabilities and other interest payable	**(301)**	(230)
Finance cost of pensions (see Note 20)	–	(13)
	(666)	(337)

7 Operating (loss)/profit

This is stated after charging/(crediting):	**2023 £000**	2022 £000
Profit on disposal of fixed assets	**-**	(66)
Depreciation of owned assets	**332**	230
Amortisation of owned software	**10**	12
Depreciation of right-of-use assets		
Land and Buildings	**71**	6
Plant and Machinery	**29**	82
Motor Vehicles	**4**	6
Software	**9**	(15)
Impairment reversal relating to fixed assets (Note 11)	**(1,372)**	-
Amortisation of development costs	**20**	27
Cost of inventories recognised as an expense	**9,733**	7,147
Exchange gain	**(140)**	(1)
Auditor's remuneration:		
Group audit fees	**30**	55
Audit fees for statutory accounts of subsidiaries	**75**	75
Rentals under operating leases*:		
Hire of plant and equipment	**16**	60
Land and buildings	**111**	111

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

8 Taxation

	2023 £000	2022 £000
Current tax:		
UK Corporation tax at 19% (2022: 19%)	**(161)**	–
Adjustments in respect of prior years	**(125)**	(306)
	(286)	(306)
Deferred tax:		
Origination and reversal of temporary differences	**162**	22
Adjustments in respect of prior years	**287**	(297)
Change in tax rate	**-**	-
	449	(275)
Tax charge/(credit) reported in the Consolidated Income Statement	**163**	(581)

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

Brought forward tax losses of the Group of £1,116,000 were utilised in the year (2022: £500,000).

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

Consolidated statement of comprehensive income	**2023 £000**	2022 £000
Current tax:	**–**	–
Deferred tax:		
Retirement benefit obligation	**(204)**	63
Fair value movements on cash flow hedges	**(32)**	(40)
Change in tax rate	**-**	-
Tax (credit)/charge reported in the consolidated statement of comprehensive income	**(236)**	23

Consolidated statement of changes in equity	2023 £000	2022 £000
Current tax:	**–**	–

Deferred tax:	2023 £000	2022 £000
Share-based payment	**18**	(57)
Tax charge/(credit) reported in the consolidated statement of changes in equity	**18**	(57)

Reconciliation of total tax charge	2023 £000	2022 £000
Profit/(loss) on ordinary activities before tax	**38**	(509)
Corporation tax charge at standard rate of 19% (2022: 19%) on profit/(loss) before tax	**7**	(97)
Adjusted by the effects of:		
Expenses not deductible	**10**	(34)
Unprovided deferred tax differences	**275**	394
Deferred tax on losses recognised	**(286)**	(314)
Adjustments in respect of prior years	**162**	(603)
Rate differential on timing differences	**(5)**	73
Total tax charge/(credit) reported in the consolidated income statement	**163**	(581)

Unprovided deferred tax differences of £275,000 (2022: £394,000) relate to deferred tax not recognised on losses in the year.

9 Earnings/(loss) per share

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

In calculating the diluted earnings/(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 as disclosed in Note 10 and defined in Note 26, has also been disclosed.

	2023 £000	2022 £000
(Loss)/earnings for basic earnings per share	**(125)**	72
Non-underlying items (Note 10)	**(1,155)**	(505)
Taxation effect of the above	**343**	–
Loss for underlying earnings per share	**(937)**	(433)

Underlying loss per share (pence):		
Underlying	**(0.8)**	(0.5)
Diluted underlying	**(0.8)**	(0.5)
Total (loss)/earnings per share (pence):		
Basic	**(0.1)**	0.1
Diluted	**(0.1)**	0.1

	Number '000	Number '000
Weighted average number of ordinary shares	**112,603**	79,488
Adjustment to reflect shares under options	**1,888**	3,581
Weighted average number of ordinary shares - fully diluted	**114,491**	83,069

There is no adjustment in the diluted loss per share calculation for the 1,888,000 shares under option in 2023 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 112,603,000 (2022: 83,069,000).

10 Non-underlying items

	2023 £000	2022 £000
Group reorganisation	**118**	–
Reversal of impairment of property, plant & equipment	**(1,372)**	–
Reversal of impairment of inventory and receivables	**–**	(498)
Additional liability from customer claim relating to disposal of Exidor Limited	**–**	10
Dilapidations provision release	**–**	(84)
Share-based payment charge	**99**	67
Non-underlying operating items	**(1,155)**	(505)
Taxation		
– Tax effect of non-underlying items	**343**	–
	(812)	(505)

During the year, the Group incurred group reorganisation costs of £118,000 (2022: nil) as part of the restructure of the management team at Petrel.

The reversal of impairment of property, plant and equipment in 2023 of £1,372,000 (2022: nil) relates to the partial reversal of the £3,809,000 impairment in 2021 of assets in the foundry division’s machining facility. Further details of this impairment reversal can be found in note 11.

The share-based payment charge in 2023 of £99,000 (2022: £67,000) relates to the fair value cost of share option schemes for the year and includes an accelerated charge of £32,000 (2022: nil) relating to employees that left employment of the Group during the year.

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
Cost				
At 1 June 2021	6,354	23,560	143	30,057
Revaluation	(35)	–	–	(35)
Additions	855	472	–	1,327
Disposals	(3,434)	–	(20)	(3,454)
Reclassification	70	(70)	–	–
At 31 May 2022	3,810	23,962	123	27,895
Additions	14	463	–	477
Disposals	–	–	(123)	(123)
Reclassification	–	315	–	315
At 31 May 2023	**3,824**	**24,740**	**–**	**28,564**
Depreciation				
At 1 June 2021	4,841	22,655	130	27,626
Charge for year	117	201	6	324
Disposals	(2,506)	–	(17)	(2,523)
Revaluation	(1,038)	–	–	(1,038)
Reclassification	(166)	166	–	–
At 31 May 2022	1,248	23,022	119	24,389
Charge for year	163	269	4	436
Impairment reversal	–	(1,372)	–	(1,372)
Disposals	–	–	(123)	(123)
Reclassification	–	(1)	–	(1)
At 31 May 2023	**1,411**	**21,918**	**–**	**23,329**
Net book value				
At 31 May 2023	**2,413**	**2,822**	**–**	**5,235**
At 31 May 2022	2,562	940	4	3,506
At 1 June 2021	1,513	905	13	2,431

Reclassification of cost of £315,000 to plant and machinery in the year includes £131,000 reclassified from software in intangible assets (see note 12) and £184,000 reclassified from inventory (see note 13).

The net book value of land and buildings of £2,413,000 includes property held at valuation amounting to £1,600,000. The valuation was undertaken by Stephens McBride, Chartered Surveyors, in June 2022 and was prepared in accordance with the Royal Institute of Chartered Surveyors Valuation – Global Standards (January 2020) ('The Red Book') and based on the market value of the freehold interest with vacant possession.

Net book value of land and buildings comprises:

	2023 £000	2022 £000
Freehold	**1,744**	1,831
Short leasehold	**669**	731
	2,413	2,562

The net book value of land and buildings held at valuation on a historical cost basis for the Group and the Company is shown below:

	2023 £000	2022 £000
Cost	**1,635**	1,635
Accumulated depreciation	**(1,011)**	(984)
	624	651

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 31 May 2022	731	187	4	922
At 31 May 2023	**633**	**1,540**	**–**	**2,173**

Additions of £67,000 included in total plant and machinery additions of £463,000 relate to right-of-use assets. The depreciation charge for the year for right-of-use assets is disclosed in Note 7. A reversal of impairment of £1,372,000 in relation to right-of-use plant and machinery was made in the year.

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
Cost				
At 1 June 2021	1,670	130	120	1,920
Revaluation	(35)	–	–	(35)
Disposals	–	–	(20)	(20)
Transfer to subsidiary undertaking	(35)	–	–	(35)
At 31 May 2022	1,600	130	100	1,830
Additions	–	5	–	5
Disposals	–	–	(100)	(100)
At 31 May 2023	**1,600**	**135**	**–**	**1,735**
Depreciation				
At 1 June 2021	1,011	101	106	1,218
Charge for year	27	11	6	44
Disposals	–	–	(16)	(16)
Revaluation	(1,038)	–	–	(1,038)
At 31 May 2022	–	112	96	208
Charge for year	27	8	4	39
Disposals	–	–	(100)	(100)
At 31 May 2023	**27**	**120**	**–**	**147**
Net book value				
At 31 May 2023	**1,573**	**15**	**–**	**1,588**
At 31 May 2022	1,600	18	4	1,622
At 1 June 2021	659	29	14	702

The net book value of motor vehicles in the Company of £4,000 in 2022 relates entirely to right-of-use assets under lease, which were fully depreciated during 2023 as the lease came to an end.

	Group £000	Company £000
Freehold land included above not subject to depreciation amounted to:		
2023	**275**	**275**
2022	275	275

Impairment testing
Following the impairment at one of its cash-generating units (CGUs) within the foundry segment in 2021, management have undertaken a review of the carrying value of the property, plant and equipment and intangible assets relating to that CGU in 2023.

Impairment has been assessed by comparing the book value of assets against their recoverable amounts. The recoverable amount of a CGUs 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 3 year financial plan approved by the Board. Following the loss in 2021 of revenue from BorgWarner, the sole customer of the CGU subject to the impairment review, its future profitability is entirely dependent upon winning new contracts. The projected cashflows reflect the latest expectations of demand for products in years 1 to 3. The cashflows are extrapolated into the future using a 2% growth rate that management believe could conservatively be achieved as efforts continue to replace lost BorgWarner revenue and have been discounted at an estimated cost of capital of 14.2%. In 2023, a number of new orders and programs were secured with new customers, with projected cashflows indicating that the CGU could return to profitability from year 1 of the financial projections. The key sensitivities around these projections are the level of sales volumes from the new contract wins. In light of current geo-political risks 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 level of profitability that could be sustainable. Based on the assumptions noted above, including sensitivities regarding sales growth assumptions in the light of uncertainty in global markets, the Board concluded that the recoverable amount of the CGU is higher than the book value of the CGU's assets and have therefore reversed £1.4m in the current year of the £3.8m impairment charge originally recognised in 2021.

12 Intangible assets

	Group		Company	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Software	**76**	222	**5**	3
Development costs	**51**	61	**–**	–
	127	283	**5**	3

Software	**Group £000**	**Company £000**
Cost		
At 1 June 2021	1,076	52
Additions	20	-
At 31 May 2022	1,096	52
Additions	5	5
Reclassification	(131)	-
At 31 May 2023	**970**	**57**
Amortisation/ impairment		
At 1 June 2021	877	41
Charge for year	(3)	8
At 31 May 2022	874	49
Charge for year	19	3
Reclassification	1	-
At 31 May 2023	**894**	**52**
Net book value		
At 31 May 2023	**76**	**5**
At 31 May 2022	222	3
At 1 June 2021	199	11

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 £38,000 (2022: £50,000) 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 £Nil (2022: £3,000) relating to assets held under leases. The depreciation charge for the period in respect of right-of-use assets was £3,000 (2022: £7,000). There were no additions in the year relating to right-of-use assets.

Development costs capitalised	**Group £000**	**Company £000**
Cost		
At 1 June 2021	395	–
Additions	24	–
At 31 May 2022	419	–
Additions	10	–
At 31 May 2023	**429**	**–**
Amortisation/ impairment		
At 1 June 2021	331	–
Charge for year	27	–
At 31 May 2022	358	–
Charge for year	20	–
At 31 May 2023	**378**	**–**
Net book value		
At 31 May 2023	**51**	**–**
At 31 May 2022	61	–
At 1 June 2021	64	–

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**	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Raw materials	**1,300**	1,743	**–**	–
Work in progress	**975**	735	**–**	–
Finished goods	**987**	665	**–**	–
	3,262	3,143	**–**	–

Inventory recognised in cost of sales during the period as an expense was £9,733,000 (2022: £7,147,000). There was an impairment reversal relating to inventory during the year of £84,000 (2022: £498,000) following a review of slow moving and obsolete items where a provision was no longer required. Inventory relating to fixed tooling with a cost value of £184,000 was transferred to plant and machinery in the year.

14 Trade and other receivables

	Group		**Company**	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Trade receivables	**3,980**	3,633	**3**	5
Amounts due from subsidiary undertakings	**–**	–	**697**	17
Other receivables	**21**	18	**9**	9
Fair value of derivative forward contracts	**3**	–	**-**	-
Prepayments	**502**	346	**202**	54
	4,506	3,997	**911**	85

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 31 May 2023 of £3,980,000 (2022: £3,633,000) against which an invoice finance liability of £3,542,000 (2022: £2,243,000) was secured. The total available invoice finance facility as at 31 May 2023 was £4,500,000 (2022: £3,500,000).

Trade receivables are denominated in the following currencies:

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Sterling	**3,179**	3,056	**3**	4
Euro	**801**	577	**–**	–
	3,980	3,633	**3**	4

Out of the carrying amount of trade receivables of £3,980,000 (2022: £3,633,000), £1,629,000 (2022: £1,314,000) 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 31 May 2023, trade receivables with a nominal value of £202,000 (2022: £34,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
At 1 June	**34**	255	**–**	–
Charge for year	**202**	3	**–**	–
Amounts written off	**(34)**	(224)	**–**	–
At 31 May	**202**	34	**–**	–

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

			Past due				
31 May 2023	**Total £000**	**Neither past due nor impaired £000**	**<30 days £000**	**30-60 days £000**	**60-90 days £000**	**90-120 days £000**	**>120 days £000**
Gross trade receivables	**4,182**	**2,930**	**699**	**182**	**43**	**126**	**202**
Expected credit losses	**(202)**	**–**	**–**	**–**	**–**	**–**	**(202)**
Net trade receivables	**3,980**	**2,930**	**699**	**182**	**43**	**126**	**–**

			Past due				
31 May 2022	**Total £000**	**Neither past due nor impaired £000**	**<30 days £000**	**30-60 days £000**	**60-90 days £000**	**90-120 days £000**	**>120 days £000**
Gross trade receivables	3,667	2,929	663	32	–	43	–
Expected credit losses	(34)	**–**	**–**	**–**	**–**	(34)	**–**
Net trade receivables	3,633	2,929	663	32	–	9	–

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 £Nil (2022: £Nil) was recognised in the period in relation to these receivables.

	Group		Company	
	2023	2022	**2023**	2022
Income taxes receivable	**£000**	£000	**£000**	£000
UK corporation tax	**286**	306	**41**	35

15 Current liabilities

Financial liabilities	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank overdraft	**–**	–	**1,515**	**–**
Invoice finance facility	**3,542**	2,243	**–**	–
Lease liabilities	**554**	634	**4**	15
	4,096	2,877	**1,519**	15

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 at the end of each banking day.

Lease liabilities are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a maximum period of nine years to May 2032. 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 2023 was £4,500,000 (2022: £3,500,000). Management has assessed the treatment of the financing arrangements and has determined it is appropriate to recognise trade receivables and invoice finance liabilities separately.

Trade and other payables	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade payables	**4,147**	3,308	**471**	115
Amounts owed to subsidiary undertakings	**–**	–	**336**	477
Other taxation and social security	**2,188**	1,907	**–**	–
Other payables	**474**	555	**285**	395
Accruals	**763**	703	**116**	182
Fair value of derivative forward contracts	**–**	2	**–**	–
	7,572	6,475	**1,208**	1,169

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

16 Non-current liabilities

Financial liabilities	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Lease liabilities	**1,602**	2,097	**6**	11

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 9 (2022: 10) years to May 2032. £532,000 is repayable in one to two years (2022: £533,000), £550,000 within two to five years (2022: £926,000) and £520,000 in more than five years (2022: £638,000).

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

Provisions for liabilities	Dilapidations £000
As at 1 June 2021	890
Released in 2022	(84)
As at 31 May 2022 and 2023	**806**

The dilapidation provision relates to expected future lease dilapidations and £616,000 is expected to be utilised within 1-2 years and £190,000 within 3-4 years.

Deferred tax liabilities	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Deferred taxation	**40**	70	**39**	37

Group liabilities	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Temporary differences relating to share options	39	21	**39**	21
Fair value hedges	1	33	**-**	-
Defined benefit pension scheme	-	16	**-**	16
	40	70	**39**	37

Deferred tax assets	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Temporary differences relating to capital allowances	**503**	1,129	**15**	15
Temporary differences relating to pension scheme deficit	**160**	–	**160**	–
Temporary differences relating to tax losses	**435**	156	**-**	–
Other temporary differences	**75**	149	**1**	78
	1,173	1,434	**176**	93

The tax value of Group trading losses carried forward for which a deferred tax asset has not been recognised total £4,659,000 (2022: £3,919,000).

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 September 2027. 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 charge of £231,000 (2022: £309,000), a charge of £449,000 (2022: £275,000 credit) was recognised within the Consolidated Income Statement, a credit of £236,000 (2022: £23,000 charge) was recognised within other comprehensive income and a charge of £18,000 (2022: £57,000 credit) recognised within the Consolidated Statement of Changes in Equity.

SECTION 4

CAPITAL STRUCTURE

17 Share capital

Allotted, called up and fully paid	**2023 £000**	2022 £000
125,853,677 (2022: 105,624,792) Ordinary shares of 0.1p	**125**	105
7,958,126 (2022: 7.958,126) Deferred shares of 24.9p	**1,982**	1,982
	2,107	2,087

The ordinary shares of 0.1p entitle the holders to participate in the assets of the Company, including dividends proposed and payable, together with the right to one vote per share held at a general meeting of the Company. Holders of 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.

On 31 January 2023 the Company issued 19,696,970 ordinary shares of 0.1p each at a subscription price of 3.3p each following a Share Placing and Subscription that raised gross proceeds (before transaction costs of £81,000) of £650,000. In addition, 531,915 shares were issued to Trevor Brown on 28 July 2022 at a price of 4.7p per share in lieu of his salary as an Executive Director of the company.

During the year no shares (2022: none) were issued to Directors to satisfy share options at nil (2022: nil) cost.

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 pages 21 and 22.

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:

		Weighted average	
	No. of options	**Exercise price (p)**	**Remaining contractual life (years)**
At 1 June 2021	3,797,930	11.2	9.9
Lapsed	(216,616)	97.5	8.3
At 1 June 2022	3,581,314	6.0	9.0
Lapsed	(1,692,982)	6.0	8.4
At 31 May 2023	**1,888,332**	**6.0**	**8.0**

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 2021 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 and there were no share options that are exercisable at the end of either financial period.

19 Fixed asset investments

	£000
Shares in subsidiary undertakings	
Cost as at 1 June 2021, 31 May 2022 and 31 May 2023	6,155
*I*mpairment	
At 1 June 2021	4,696
Impairment charge reversal	(1,505)
At 31 May 2022	3,191
Impairment charge reversal	-
At 31 May 2023	**3,191**
Net book value	
At 31 May 2023	**2,964**
At 31 May 2022	2,964
At 1 June 2021	1,459

Following an improvement in performance of Russell Ductile Castings Limited, £1,505,000 of the impairment charge previously recognised was reversed in 2022 as the value in use of the investment in Russell Ductile Castings Limited was higher than its carrying value.

Wholly owned operating subsidiaries	*Principal activity*
Chamberlin & Hill Castings Ltd	Manufacture and sale of engineering castings
Russell Ductile Castings Ltd	Manufacture and sale of engineering castings
Petrel Ltd	Manufacture and sale of lighting, and electrical installation products
Chamberlin Foundry Ltd	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 2023 was £225,000 (2022: £151,000), with the increase being due to costs associated with the triennial valuation, together with financing income of £8,000 (2022: £13,000 cost).

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 £201,000 (2022: £200,000). 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 31 May 2023	At 31 May 2022	At 31 May 2021
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase of pensions in payment - post 1997 accrual only	**3.0%**	3.4%	3.1%
Discount rate	**5.4%**	3.4%	1.85%
Inflation assumption - RPI	**3.1%**	3.5%	3.2%
Inflation assumption - CPI	**2.5%**	2.8%	2.5%

Demographic assumptions are all based on the S3PA (2022: 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 2038.

		2023 Years	2022 Years
Current pensioners at 65	– Male	**20.6**	20.6
	– Female	**22.9**	23.0
Future pensioners at 65	– Male	**21.4**	21.4
	– Female	**23.9**	24.1

The scheme was closed to future accrual with effect from 30 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 2024 are £409,000 and include estimated scheme administration costs to be paid out of scheme assets of £180,000. Apart from this amount there are no other minimum funding requirements.

The latest triennial valuation was completed as at 31 March 2022 in June 2023 and concluded that company contributions would increase to £317,700 for the year ended 31 March 2024 and £468,000 for the year ended 31 March 2025, with the deficit reduction period reducing to September 2027 (31 March 2019 valuation: August 2032). Company contributions now include £180,000 for scheme administration costs that will be paid out of scheme assets. The Company has given security over a property to the pension scheme. Subsequent to the year end, in June 2023, the charge over the property was released following the payment of an additional contribution to the pension scheme of £1,100,000, paid out of the proceeds of a sale and leaseback transaction. The next triennial review is due at 31 March 2025.

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

	2023 £000	2022 £000
Equities/diversified growth fund	**1,094**	1,937
Liability Driven Investments	**2,191**	2,370
Buy and Maintain Credit	**4,103**	1,853
Multi-Sector Credit	**1,750**	4,273
Insured pensioner assets	**7**	13
Cash	**1,855**	3,578
Market value of assets	**11,000**	14,024
Actuarial value of liability	**(11,639)**	(13,960)
Scheme (deficit)/surplus	**(639)**	64
Related deferred tax asset/(liability)	**160**	(16)
Net pension (liability)/surplus	**(479)**	48

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.

Net benefit income/(expense) recognised in profit and loss	2023 £000	2022 £000
Net interest income/(expense)	8	(13)
Net interest income/(expense)	**8**	(13)

Remeasurement loss/ (gain) in other comprehensive income	2023 £000	2022 £000
Actuarial gain arising from changes in financial assumptions	**(2,820)**	(2,466)
Actuarial loss arising from changes in demographic assumptions	**72**	60
Experience adjustments	**894**	98
Loss on assets (excluding interest income)	**2,927**	1,976
Total remeasurement loss/(gain) shown in other comprehensive income	**1,073**	(332)

	2023 £000	2022 £000
Actual loss on plan assets	**(2,466)**	(1,686)

Movement in surplus/(deficit)	2023 £000	2022 £000
Deficit in scheme at beginning of year	**64**	(1,190)
Movement in year:		
Employer contributions	**362**	935
Net interest income/(expense)	8	(13)
Actuarial (loss)/gain	**(1,073)**	332
(Deficit)/surplus in scheme at end of year	**(639)**	64

Movement in scheme assets	2023 £000	2022 £000
Fair value at beginning of year	**14,024**	15,601
Interest income on scheme assets	**461**	290
Return on assets (excluding interest income)	**(2,927)**	(1,976)
Employer contributions	**362**	935
Benefits paid	**(920)**	(826)
Fair value at end of year	**11,000**	14,024

Movement in scheme liabilities	2023 £000	2022 £000
Benefit obligation at start of year	**13,960**	16,791
Interest cost	**453**	303
Actuarial gain arising from changes in financial assumptions	**(2,820)**	(2,466)
Actuarial loss arising from changes in demographic assumptions	**72**	60
Experience adjustments	**894**	98
Benefits paid	**(920)**	(826)
Benefit obligation at end of year	**11,639**	13,960

The weighted average duration of the pension scheme liabilities is 10 years (2022: 12 years).

A quantitative sensitivity analysis for significant assumptions as at 31 May 2023 is as shown below:

Present value of scheme liabilities when changing the following assumptions:	**2023 £000**	2022 £000
Discount rate increased by 1% p.a.	**10,644**	12,543
RPI and CPI increased by 1% p.a.	**12,036**	14,584
Mortality - members assumed to be their actual age as opposed to one year older	**12,131**	14,627

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations 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 2023 amounted to £8,377,000 (2022: £7,879,000).

22 Financial commitments

	Group		Company	
Capital expenditure	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Contracted for but not provided in the accounts	**-**	-	**-**	-

Lease commitments

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

	Group		Company	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Future minimum payments due:				
Not later than one year	**-**	11	**-**	11
	-	11	**-**	11

Lease commitments disclosed above relate to short-term property leases and low value leases excluded from IFRS 16 'Right-of-use assets'.

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. The Group has euro denominated revenue that represents between 15% and 20% of Group revenue. The average exchange rate used to translate into GBP Sterling was €1.15 (year ended 31 May 2022: €1.18).

During the year, the Group had forward currency hedging contracts in place representing approximately 50% of highly probable revenue forecasts. At 31 May 2023 there were net monetary assets (trade receivables, trade payables and cash at bank) denominated in euros of £393,000 (2022: £227,000). A proportion of the Group's financial liabilities are denominated in euros, reducing the currency risk of the Group. With approximately 50% 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.

Forward currency contracts for the sale of euros outstanding at the year 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 £6,000 (2022: £20,000).

	Contracted amount (€000)	**Weighted average contract rate**	**Contracted amount £000**	**Contracted amount at year end rate £000**	**Unrealised gain/(loss) £000**
At 31 May 2023					
– Net sell contracts	**150**	**1.135**	**132**	**129**	**3**
At 31 May 2022	500	1.178	424	426	(2)

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 £18,000 reduction in profit before tax (2022: £11,000). An equivalent decrease in rates would increase profit before tax by £18,000 (2022: £11,000).

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

	Group		**Company**	
FINANCIAL LIABILITIES	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Bank overdraft (sterling denominated)	**–**	–	**(1,515)**	–
Invoice finance (sterling denominated)	**(2,782)**	(2,026)	**–**	–
Invoice finance (euro denominated)	**(760)**	(216)	**–**	–
Lease liabilities (sterling denominated)	**(2,156)**	(2,731)	**(10)**	(25)
	(5,698)	(4,973)	**(1,525)**	(25)

Balances relating to the bank overdraft and invoice finance liabilities are subject to floating rates of interest whilst the balances 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 £202,000 (2022: £3,000).

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, 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 31. The availability of adequate liquidity to fund operations is a significant risk to the ongoing viability of the Group. The Group reviews its ongoing headroom weekly and projects forward on a daily basis for 13 weeks and produces longer term projections that give monthly headroom for a 2 year period as part of its budgeting and quarterly reforecasting process. In addition to the invoice finance facility, the Group has the ability to raise capital from shareholders if required.

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 2023 and 31 May 2022.

	On demand	Less than one year	One to two years	Two to five years	More than five years	Total
At 31 May 2023						
Financial assets						
Trade receivables	**3,980**	**–**	**–**	**–**	**–**	**3,980**
Non-derivative financial liabilities						
Invoice finance	**3,542**	**–**	**–**	**–**	**–**	**3,542**
Lease liabilities, including interest	**–**	**717**	**680**	**721**	**589**	**2,707**
Trade payables	**–**	**4,147**	**–**	**–**	**–**	**4,147**
	3,542	**4,864**	**680**	**721**	**589**	**10,396**
At 31 May 2022						
Financial assets						
Trade receivables	3,633	–	–	–	–	3,633
Non-derivative financial liabilities						
Invoice finance	2,243	–	–	–	–	2,243
Lease liabilities, including interest	–	820	698	1,192	755	3,465
Trade payables	–	3,308	–	–	–	3,308
	2,243	4,128	698	1,192	755	9,016

The gross undiscounted future cashflows are analysed as follows:

	On demand	Less than one year	One to two years	Two to five years	Total
At 31 May 2023					
Foreign exchange forward contracts	–	132	–	–	132
	–	**132**	**–**	**–**	**132**

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

At 31 May 2022					
Foreign exchange forward contracts	–	424	–	–	424
	–	424	–	–	424

The Company's financial liabilities comprise a bank overdraft of £1,515,000 (2022: £Nil) and is payable on demand, and lease liabilities of £10,000 (2022: £25,000)

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £9,000 negative (2022: £408,000 positive) 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 or invoice finance facility. Certain asset finance loans with HSBC include EBITDA and cash headroom covenants that are reported monthly to the bank for the duration of the lease term of 42 months from April 2022.

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	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Short-term employee benefits (including employer's NI)	**499**	542	**384**	384
Termination costs (including employer's NI)	**-**	-	**-**	-
Share-based payments	**99**	67	**99**	67
Pension contributions	**16**	15	**11**	11
	614	624	**494**	462

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.

25 Net debt

	Net overdraft/ (cash at bank) £000	**Invoice finance £000**	**Lease liabilities £000**	**Total £000**
At 1 June 2021	1,038	(665)	(2,208)	(1,835)
Cashflow	(1,038)	(1,585)	537	(2,086)
New finance leases in the period	-	-	(1,060)	(1,060)
Impact of foreign exchange rates	-	7	-	7
At 31 May 2022	-	(2,243)	(2,731)	(4,974)
Cashflow	157	(1,297)	642	(498)
New finance leases in the year	-	-	(67)	(67)
Impact of foreign exchange rates	-	(2)	-	(2)
At 31 May 2023	**157**	**(3,542)**	**(2,156)**	**(5,541)**
Balances comprise:				
Current assets	157	-	-	157
Current liabilities	-	(3,542)	(554)	(4,096)
Non-current liabilities	-	-	(1,602)	(1,602)
	157	**(3,542)**	**(2,156)**	**(5,541)**

26 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis and in accordance with UK - adopted international accounting standards. They 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 6 to 13. 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 Director’s assessment of going concern is based on the Group’s detailed forecast for the three years ending 31 May 2024, 31 May 2025 and 31 May 2026, which reflect the Director’s view of the most likely trading conditions. Since the balance sheet date, HSBC have confirmed their agreement to an increase in the Group’s invoice finance facilities and the forecasts indicate that these bank facilities are expected to remain adequate.

The forecast includes 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 Russell Ductile Castings, 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 Russell Ductile Castings 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 2024 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. The Directors have considered how they will respond to any working capital challenges bearing in mind the points raised above. Firstly the business constantly looks at cost minimisation and that process could be accelerated if required. Secondly, if access to alternative debt funders were not successful in the short term, the business will consider other funding options, including equity, to support working capital requirements.

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.

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 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. The carrying value of goodwill is 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 value exceeds the estimated recoverable amount, goodwill is written down to its recoverable amount.

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.

Property, plant and equipment
Property, plant and equipment, with the exception of the Group's remaining freehold land and buildings, is stated at cost less accumulated depreciation and any impairment in value. Freehold land and buildings are stated at market valuation provided by an independent chartered surveyor on a vacant possession basis and is reviewed every two years or when market events suggests there could be a material change in market 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 freehold land and buildings, 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 lives 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.

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 from inception, 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.

Leases
In applying IFRS 16 'Leases', the Group:

a. Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at present value of future lease payments;

b. Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Income Statement; and

c. 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 defined contribution scheme, which requires contributions to be made to administered funds separate from the Group.

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

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.

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 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, 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 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 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 the Group satisifes a performance obligation by transferring control of manufactured product to the customer, using the five step approach:

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue

Revenue recognition has been considered in accordance with steps above included within IFRS 15 and the performance obligation identified relates to the sale of goods to customers. Transfer of control can occur over time or at a point in time but for the vast majority of sales across the Group, control passes to the customer at a point in time, 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 transaction price the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties, namely discounts, value-added taxes (VAT) and other sales-related taxes.

Dividends
Dividend payments are recognised in the period in which they become a binding obligation on the Company, which, for interim ividends, 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 behavioral 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 include items such as share-based payment costs, reorganisation costs, impairment of assets, foreign currency hedge ineffectiveness, dilapidation costs and adviser costs and the associated tax impact on these items.

Government grants and subsidies

The Group received government grants under the Coronavirus 19 Job Retention Scheme (CJRS) and in accordance with IAS 20 Accounting for Government Grants, has accounted for this income using the Income Approach. Under this method the income is recognised on a systematic basis in the profit and loss account over the same period that the Group recognised the related payroll costs that the grant is intended to compensate. This specific grant income has been deducted in reporting the related payroll expenses.

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:

- Impairment of property, plant and equipment (judgement and estimate) – In 2021 following the cancellation of all contracts by BorgWarner, the Directors undertook a detailed impairment review of the foundry division cash generating unit (CGU) that was impacted by this decision. This review was updated in 2023 in the light of the CGUs financial performance in the year and future prospects included in the three year forecast. Note 11 provides details of the impairment review undertaken during the period.
- Provision for obsolete inventory (judgement and estimate) – the Group performs a review of inventory for slow-moving and obsolete items each year. The Directors reviewed the judgements made in 2021 in relation to slow moving and obsolete stock provisions associated with the BorgWarner contracts in the light of new contract wins in the year and forecast increases in revenue in the three year forecast. The review concluded that net realisable value was below cost and that an obsolete and slow-moving inventory provision was required, albeit at a reduced level compared to 2021. Note 13 provides further details of the provision made.
- Property dilapidations (judgement and estimate) – the Group occupies two rental properties from which it conducts its activities. The Directors in the year reassessed the judgements made in 2021 concerning the future cost of returning the leased properties to the landlords in the condition specified in the lease. This reassessment was based on negotiations concluded with the landlord in the year and a third party estimate of the remaining expected cost. Note 16 provides further details of the provision made.
- Going concern (judgement and estimate) - a two year forecast has been prepared to assess the Group's ability to continue to operate as a going concern. The forecast includes assumptions on the future level of trading activity, profitability and cash flow expected during this period and downside sensitivities to reflect scenarios where revenue and margin growth targets are not met. The Directors' Report on pages 23 and 26 provide further details on the going concern assumption.
- Expected credit losses (judgement and estimate) – the Group performs an assessment of expected credit losses in relation to the risk of default associated with trade receivables. The review involves the assessment of the probability of non-payment, using publicly available financial information, such as credit ratings, and internal and non-financial information such as previous payment history and the length of customer relationship. Note 14 provides further details on expected credit losses.
- Defined benefit scheme pension liabilities (estimate): 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, future pension increases and the ability of the Group to recognise a surplus on its balance sheet. Note 20 provides details of the defined pension scheme liabilities and valuation assumptions.

- Recoverability of deferred tax assets (judgement and estimate): 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. The deferred tax assets have been assessed as recoverable against forecasts of future taxable profits. Note 16 provides further details.
- Non-underlying items (judgement) – Non-underlying items are items of financial performance which the Group believes should be presented separately on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of underlying items or non-underlying items requires judgement. Note 10 provides further details on non-underlying items.

Independent auditor's report to the members of Chamberlin PLC

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Chamberlin plc. For the purposes of the table on pages 63 to 64 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Chamberlin PLC and its subsidiaries (the "Group"). The "Parent Company" is defined as Chamberlin PLC, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Chamberlin plc for the year ended 31 May 2023.

The financial statements that we have audited comprise:

- the consolidated income statement
- the consolidated statement of comprehensive income
- the consolidated balance sheet
- the consolidated cash flow statement
- the consolidated statement of changes in equity
- Notes 1 to 26 to the consolidated financial statements, including significant accounting policies
- the parent company balance sheet
- the parent company cash flow statement
- the parent company statement of changes in equity and
- Notes 1 to 26 to the Company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company's financial statements is applicable law and United Kingdom adopted International Accounting Standards, "UK adopted IAS".

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 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted IAS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

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 as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 26 which explains that the group and company will require additional finance to fund working capital and, whilst management are pursuing various funding options, there is no certainty as at the date of this report that the necessary funding will be secured. For this reason a material uncertainty has been identified that may cast significant doubt on the ability of the group and company 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.

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

Materiality	**2023**	**2022**	
Group	£311k	£165k	1.5% of revenue (2022: 1%)
Parent Company	£109K	£70k	2% of gross assets (2022: 2%)

Key audit matters

- Revenue recognition - Cut-off (Group and parent)
- Defined benefit pension (Group and parent)
- Reversal of fixed asset impairment (Group)

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 matters 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.

Risk of fraud in revenue recognition – cut-off

Key audit matter description	The Group's only material revenue stream comes from the supply of manufactured goods and materials. Revenue and costs associated with generating that revenue must be recognised in the correct period and in line with fulfilling the performance obligation. Our risk associated in respect of this is revenue cut off as there maybe income recognised during the year when risk and reward has not been passed onto the customer. We note that a proportion of sales are exports and therefore there is greater risk that cut off issues may arise surrounding goods despatched around the year end.
How the scope of our audit responded to the key audit matter	We performed a walkthrough of each of the key revenue streams and considered the design, implementation and adequacy of the Groups controls. We performed cut-off testing by selecting a sample of sales transactions either side of the year end to ensure the revenue has been accounted for in the correct period. This was completed for each of the trading entities. In addition , we have carried out substantive testing across each trading entity by picking samples from the nominal and tracing to the appropriate supporting documentation.
Key observations communicated to the Group's Audit Committee	We concluded that revenue had been recorded appropriately. We did not identify any material errors in relation to cut-off.

Defined benefit pension

Key audit matter description	Under IAS 19 management is required to uses an actuarial technique (the projected unit credit method) to estimate the ultimate cost to the entity of the benefits that employees have earned in return for their service in the current and prior periods; discounts that benefit in order to determine the present value of the defined benefit obligation and the current service cost; deducts the fair value of any plan assets from the present value of the defined benefit obligation; determines the amount of the deficit or surplus; and determines the amount to be recognised in profit and loss and other comprehensive income in the current period.

How the scope of our audit responded to the key audit matter	We have used an independent external auditor expert actuary to review the assumptions and benchmark to external market data. We have considered the independence and competency of the expert. We have considered the independence and competency of the actuary preparing the report. We have agreed the valuation of the pension scheme assets to third party valuation statements. We have agreed payments made to the pension provider to bank statements. We have ensured disclosures made in the financial statements are compliant with IAS 19.
Key observations communicated to the Group's Audit Committee	We concluded that the defined benefit pension liability is compliant with IAS 19. We concluded that the assumptions used in the report are reasonable.

Reversal of fixed asset impairment

Key audit matter description	During the year, management processed an impairment reversal in relation to Plant and Machinery (specifically the machine tool shop). This was originally impaired due to losing a significant customer and the entire site being 'moth balled'. During the year, new orders have been received and manufacturing has recommenced which indicates the full impairment is no longer required. Management have considered current and future orders and related operating costs to make this judgement. As a result management processed an impairment reversal amounting to £1,372k.
How the scope of our audit responded to the key audit matter	We have reviewed management's methodology used to justify the amount of reversal. We have reviewed the discounted cashflow workings used for reasonability and tested the relevant inputs where necessary. This includes the discount rate, which we compared to other listed manufacturing firms, order flow, business unit cashflows and growth rates.
Key observations communicated to the Group's Audit Committee	We have concluded that the reversal of the fixed asset impairment, whilst highly judgemental, is justified and identified no material misstatements.

Application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £311k, which was determined on the basis of 1.5% of the Group's revenue. Materiality in respect of the Parent Company was set at £109k, determined on the basis of 2% of the parent's gross assets. Revenue was deemed to be the appropriate benchmark for the calculation of Group materiality as this is a key area of importance to external and internal stakeholders. As a result, revenue is deemed the most appropriate basis. In our opinion this is therefore the benchmark with which the users of the financial statements are principally concerned.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £218k and at £77k for the Parent Company which represents 70% of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £16k and £5k in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Overview of the scope of the Group and Parent Company audits

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each Company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 5 reporting components of the Group, we identified 4 components in the UK and mainland Europe which represent the principal business units within the Group.

The Group comprises of a Parent Company which does not trade, a holding company, and 3 main trading subsidiaries. The Group engagement team have audited the complete financial information of all group entities ensuring full scope audits of entities which make up 100% of group revenue, loss for the year and total assets.

- The Parent Company, Chamberlin PLC
- Chamberlin Foundry Ltd
- Petrel Limited
- Russel Ductile Castings Limited
- Chamberlin & Hill Castings Limited

The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness but did not place reliance on the controls.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic report and directors report

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

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

In the 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received by 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 directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group
- We enquired of the directors and management concerning the Group's and the Parent Company's policies and procedures relating to:
    - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates particularly in determining expected credit losses.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's audit committee meetings.
- audit procedures performed by the engagement team in connection with the risks identified included:
    - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
    - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
    - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
    - enquiry of management around actual and potential litigation and claims.
    - challenging the assumptions and judgements made by management in its significant accounting estimates.
    - obtaining confirmations from third parties to confirm existence of a sample of balances.
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Ramsey BSc (Hons) FCCA
(Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
Birmingham, United Kingdom
30 November 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

PARENT COMPANY BALANCE SHEET

AT 31 MAY 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	11	**1,588**	1,622
Intangible assets	12	**5**	3
Investments	19	**2,964**	2,964
Deferred tax asset	16	**176**	93
Defined benefit pension scheme deficit	20	**-**	64
		4,733	4,746
Current assets			
Trade and other receivables	14	**214**	68
Income tax receivable	14	**41**	35
Amounts due from subsidiary undertakings	14	**697**	17
Cash at bank		**-**	89
		952	209
Total assets		**5,685**	4,955
Current liabilities			
Financial liabilities	15	**1,519**	15
Trade and other payables	15	**1,208**	1,169
		2,727	1,184
Non-current liabilities			
Financial liabilities	16	**6**	11
Deferred tax	16	**39**	37
Defined benefit pension scheme deficit	20	**639**	-
		684	48
Total liabilities		**3,411**	1,232
Capital and reserves			
Share capital	17	**2,107**	2,087
Share premium account		**6,882**	6,308
Capital redemption reserve		**109**	109
Revaluation reserve		**1,003**	1,003
Retained earnings		**(7,827)**	(5,784)
Total equity		**2,274**	3,723
Total equity and liabilities		**5,685**	4,955

The loss dealt with in the accounts of the parent company was £1,255,000 (2022: £310,000 profit).

KEVIN PRICE
DIRECTOR

ALAN TOMLINSON
DIRECTOR

The accounts were approved and authorized for issuance by the Board of Directors on 30 November 2023.

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2023

	Note	**2023 £000**	2022 £000
Operating activities			
(Loss)/profit for the year before tax		**(1,156)**	591
Adjustments to reconcile (loss)/profit for the year to net cash outflow from operating activities:			
Net finance costs		**50**	62
Impairment reversal relating to investments		**-**	(1,505)
Impairment of amounts due from subsidiary undertakings		**-**	-
Depreciation of property, plant and equipment	11	**39**	44
Amortisation of software	12	**3**	8
Non-underlying items		**-**	10
Share-based payments	18	**99**	67
Defined benefit pension contributions paid		**(362)**	(935)
(Increase)/decrease in receivables		**(827)**	498
Increase/(decrease) in payables		**38**	(249)
Net cash outflow from operating activities		**(2,116)**	(1,409)
Investing activities			
Purchase of property, plant and equipment	11	**(5)**	–
Purchase of software		**(5)**	–
Net cash outflow from investing activities		**(10)**	–
Financing activities			
Interest paid		**(57)**	(49)
Principal element of lease payments		**(15)**	(32)
New share capital issued		**594**	1,624
Proceeds from convertible loan		**–**	–
Net cash inflow from financing activities		**522**	1,543
Net (decrease)/increase in cash and cash equivalents		**(1,604)**	134
Cash and cash equivalents at the start of the year		**89**	(45)
Cash and cash equivalents at the end of the year		**(1,515)**	89
Cash and cash equivalents comprise:			
Cash at bank		**–**	89
Bank overdraft		**(1,515)**	–
		(1,515)	89

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Retained earnings £000	Attributable to equity holders of the Company £000
Balance at 1 June 2021	2,051	4,720	109	–	(6,487)	**393**
Profit for the year	–	–	–	–	310	**310**
Other comprehensive income for the year net of tax	–	–	–	1,003	269	**1,272**
Total comprehensive income	–	–	–	1,003	579	**1,582**
New share capital issued	36	1,588	–	–	–	**1,624**
Share-based payment	–	–	–	–	67	**67**
Deferred tax on share-based payment	–	–	–	–	57	**57**
Total of transactions with shareholders	36	1,588	–	–	124	**1,748**
Balance at 1 June 2022	2,087	6,308	109	1,003	(5,784)	**3,723**
Loss for the year	–	–	–	–	(1,255)	**(1,255)**
Other comprehensive expense for the year net of tax	–	–	–	–	(869)	**(869)**
Total comprehensive expense	–	–	–	–	(2,124)	**(2,124)**
New share capital issued(net of transaction costs)	20	574	–	–	–	**594**
Share-based payment	–	–	–	–	99	**99**
Deferred tax on share-based payment	–	–	–	–	(18)	**(18)**
Total of transactions with shareholders	**20**	**574**	**–**	**–**	**81**	**675**
Balance at 31 May 2023	**2,107**	**6,882**	**109**	**1,003**	**(7,827)**	**2,274**

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 January 2023 of £0.1m have been debited to share premium in the year.

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 fair value of 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 and items from the Consolidated Statement of Comprehensive Income attributable to equity shareholders, less distributions to shareholders and share based compensation expense.

FIVE YEAR FINANCIAL SUMMARY

	2023* **	2022***	2021**	2020*	2019*
Revenue (£m)	**20.7**	16.8	26.4	26.1	33.0
Underlying loss before tax (£'000)	**(1,117)**	(1,014)	(3,198)	(1,434)	(1,509)
Statutory profit/(loss) before tax (£'000)	**38**	(509)	(10,391)	(2,343)	(4,957)
Underlying diluted loss per share (pence)	**(0.8)**	(0.5)	(13.7)	(18.7)	(19.5)
Cash (consumed)/generated from operations (£'000)	**(228)**	(4,037)	(344)	1,546	(3,379)

* For the 12 months ended 31 March.

** For the 14 months ended 31 May.

*** For the 12 months ended 31 May.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company ("AGM") will be held on Wednesday 3 January 2024 at the Company's registered office at Chuckery Road, Walsall, WS1 2DU at 11.00 a.m.

Any shareholder wishing to attend in person will be required to pre-register with the company secretary by 28 December 2023 (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 (please state "Chamberlin PLC: AGM" in the subject line of the email and include the shareholder's full name).

Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a form of proxy in advance of the meeting. While it is currently anticipated that there will be no restrictions on social contact or the format of the meeting at the time of the annual general meeting, shareholders should carefully consider whether or not it is appropriate to attend the annual general meeting. 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 emailing the company secretary at the above address (any such questions to arrive by 11.00 a.m. on 31 December 2023 (or in the event that the AGM is adjourned, not later than 48 hours (not including any part of a day that is not a working day) 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 year ended 31 May 2023 (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 Kevin Price (Resolution 4).
5. To re-elect as a Director Alan Tomlinson (Resolution 5)
6. To re-elect as a Director Trevor Brown (Resolution 6).
7. To approve the Directors' Remuneration Report for the year ended 31 May 2023 (Resolution 7).
8. To reappoint MHA 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 ("Act") (in substitution for all existing authorities under section 551 of the Act 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 £55,141 (representing 40% 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 2 April 2025, 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 Act the Directors be and are hereby generally empowered (in substitution for all existing powers under section 570 of the Act 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 Act) for cash pursuant to the authority granted by resolution 10 as if Section 561(1) of the Act 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,

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 £55,141 (representing 40% 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 2 April 2025, 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 Act to make market purchases (within the meaning of section 693(4) of the Act) 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 13,785,368;

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 2 April 2025, 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
Chuckery Road
Walsall
WS1 2DU

30 November 2023

Notes to the notice of AGM

Attending the meeting

1. Should you wish to attend the Meeting in person, please pre-register your attendance with the company secretary by 28 December 2023 (or in the event that the Meeting is 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 (please state "Chamberlin PLC: AGM" in the subject line of the email and include your full name). 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 Meeting by also emailing the company secretary at the above address (any such questions to arrive by 11.00 a.m. on 31 December 2023 (or in the event that the Meeting is adjourned, not later than 48 hours before any adjourned Meeting (not including any part of a day that is not a working day)). The Board will endeavour to respond to questions which are put forward in advance of the Meeting during the Meeting and/or by publishing written responses on the investors section of the Company's website after the Meeting (together with results of voting).

Proxies

3. A shareholder entitled to attend, speak and vote at the Meeting 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 Meeting, 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 Meeting (subject to the requirement to pre-register set out in note 1 above).

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 31 December 2023 (or, if the Meeting is adjourned, not less than 48 hours before the time of any adjourned Meeting (not including any part of a day that is not a working day)). 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 31 December 2023 (or, if the Meeting is adjourned, not later than 48 hours before the time of any adjourned Meeting (not including any part of a day that is not a working day)). 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 Meeting 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 2023, or in the event that the Meeting is 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 Meeting or vote by proxy at the Meeting 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 Meeting.

Total voting rights

12. As at the date of this document, the Company's issued share capital comprised 137,853,677 ordinary shares of 0.1 pence each and no ordinary shares are held in treasury. Each ordinary 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 137,853,677.

Method of voting

13. It is anticipated that voting on all resolutions at the AGM will be conducted by way of a show of hands. However, in accordance with the Company's articles of association, the chair of the meeting or five shareholders present in person (or by proxy) or shareholders present in person (or by proxy) holding not less than 10 per cent of the issued share capital may demand a poll on the day.

Corporate representatives

14. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the Meeting. 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 14 of the enclosed annual report and accounts.

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

17. An explanation of AGM Resolutions 10 to 12 is set out in the Report of the Directors on page 24.

Change of address

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

Communications with the Company

19. 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

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	MHA Birmingham
Solicitors	DLA Piper Birmingham
Nominated Adviser and Joint Broker	Cavendish Capital Markets Limited London
Joint Broker	Peterhouse Securities Limited London
Bankers	HSBC Bank plc Birmingham
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD

Trading Companies Information

Chamberlin & Hill Castings Limited
Chuckery Road
Walsall, WS1 2DU

Tel: 01922 721411
www.chcastings.co.uk

Small complex grey iron castings, for the automotive sector, hydraulic and mechanical engineering applications, cast iron radiators and consumer products in fitness and cookware markets.

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22 Fortnum Close
Kitts Green
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Tel: 0121 783 7161
www.petrel-ex.co.uk

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

Russell Ductile Castings Limited
Trent Foundry
Dawes Lane
Scunthorpe, DN15 6UW

Tel: 01724 862152
www.russellcastings.co.uk

Large grey, ductile and alloyed iron castings for a range of applications including power generation, renewable energy, bearing housings, steelworks, construction and compressors.