Interim Results

Chamberlin PLC
21 February 2024

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AIM: CMH

chamberlin plc

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

Interim Results
for the six months ended 30 November 2023

Chamberlin plc (AIM: CMH) is pleased to announce its interim results for the six months ended 30 November 2023 ("H1 2024").

Key Points

- Revenue of £10.6m (H1 2023: £10.5m), an increase of 6%
- Underlying operating profit of £0.1m (H1 2023: £0.1m loss) reflecting 192% increase from prior period
- Profit after tax of £47,000 (H1 2023: £0.3m loss)

Post Period

- Conditional sale of Petrel Limited ("Petrel") announced today for gross proceeds of £3.0m

Chairman, Keith Butler-Wheelhouse, commented:

"Performance in the first half has been broadly in line with the Board's expectations. The sale of Petrel will provide the Group with the financial resources and balance sheet strength that it needs to focus on its core iron foundry and machining operations and for both businesses to pursue their respective strategies with greater impetus."

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Chief Executive's Statement

Revenues in the first half increased by 6% to £10.6m (2023: £10.5m), largely driven by new orders won at Chamberlin and Hill Castings' ("CHC") machining facility in the final quarter of the previous financial year. Revenues in the Foundry division at CHC and Russell Ductile Castings ("RDC") and in the Engineering division at Petrel have remained broadly in line with the elevated levels seen in the corresponding period last year.

Underlying operating profit of £0.1m (2023: £0.1m loss) included a £0.2m profit from the sale and leaseback of the Group's property in Walsall, which completed in June 2023. Excluding the profit from the property transaction, the underlying operating loss reduced by 46% compared to last half year, as gross margin moved ahead slightly to 14.0% (2023: 13.6%) and overhead costs remained tightly controlled. In the Foundry division, RDC improved its operating profit by 43% compared to last half year as a result of operational efficiencies from the investment in additional capacity and favourable market conditions. Operating performance at CHC lagged behind expectations due to the slower than anticipated commencement of production of new programs and the costs of ramping up production at the machining facility from a standing start but this temporary trend is expected to reverse in the second half and operating performance is expected to improve. Petrel's profitability was slightly below last half year as overhead costs marginally increased to support its strategy of expansion in overseas markets.

Following continued expectations of further operational improvement at CHC's machining facility in the light of new orders secured, an exceptional operating credit of £0.2m has been recognised in the first half relating to the reversal of a previous impairment of the machinery. The net interest cost of £0.4m (2023: £0.2m) largely reflects the full impact of successive increases in the Bank of England base rate. Loss before tax of £0.1m (2023: £0.1m) reflected an 83% improvement in actual terms compared to the prior period and, after a tax credit of £0.1m, profit after tax was £47,000 (2023: £0.3m loss).

In January 2024, Chamberlin completed a placing and subscription raising £830,000 before costs to support the Group's working capital requirements as it continues to deliver the Group's growth strategy and to strengthen the Group's balance sheet.

On 21 February 2024, the Board announced that it had entered into an agreement for the conditional sale of Petrel to Project Apollo Limited (the "Purchaser"), a subsidiary of Longacre Group, for a total gross cash consideration of £3.0 million. Further details regarding the sale are included in that announcement.

The triennial valuation of the Group's defined benefit pension scheme was successfully completed in June 2023. The actions that have been taken by the Board to improve the funding of the scheme, together with favourable market movements, have led the deficit to reduce on a Trustees' basis from £5.5m in March 2019 to around £1.2m following the payment of £1.1m to the scheme on completion of the property sale and leaseback in June 2023. This £1.1m contribution resulted in the deficit in the Group balance sheet at 31 May 2023 of £0.6m becoming a surplus of £0.1m at 30 November 2023. The payment of £0.85m to the scheme resulting from the sale of Petrel will further improve the pension scheme surplus on the Group balance sheet and reduce the deficit on a Trustees' basis to around £0.4m.

Outlook

The sale of Petrel Ltd will provide the Group with the financial resources and balance sheet strength that it needs to focus on its core iron foundry and machining operations and for both businesses to pursue their respective strategies with greater impetus. The transaction proceeds are expected to both reduce the Group's liabilities by around £2.6m and contribute an exceptional profit of no less than £2.0m, in FY24.

The Board believes that this is the start of an exciting new chapter for the Company as it moves forward with improved working capital resources to invest in the development of steel production at RDC and spheroidal graphite iron production at CHC. With existing order books at RDC and CHC expected to drive improvement in operational performance in the second half and beyond, prospects for sustainable growth, that will replace the lost profits from Petrel, are achievable over the short to medium term.

Kevin Price

Chief Executive

Consolidated Income Statement

for the six months ended 30 November 2023

	Note	**Unaudited six months ended 30 November 2023**			Unaudited six months ended 30 November 2022			Year ended 31 May 2023		
		Underlying £000	**# Non-underlying £000**	**Total £000**	Underlying £000	# Non-underlying £000	Total £000	Underlying £000	# Non-underlying £000	Total £000
Revenue	2	**10,611**	**-**	**10,611**	10,544	-	10,544	20,718	-	20,718
Cost of sales		**(9,118)**	**-**	**(9,118)**	(9,104)	-	(9,104)	(17,892)	-	(178928)
Gross profit		**1,493**	**-**	**1,493**	1,440	-	1,440	2,826	-	2,826
Other operating expenses	7	**(1,362)**	**182**	**(1,180)**	(1,583)	(140)	(1,723)	(3,413)	1,155	(2,258)
Operating profit/(loss)		**131**	**182**	**313**	(143)	(140)	(283)	(587)	1,155	568
Interest receivable		**144**	**-**	**144**	29	-	29	136	-	136
Finance costs	3	**(535)**	**-**	**(535)**	(213)	-	(213)	(666)	-	(666)
(Loss)/profit before tax		**(260)**	**182**	**(78)**	(327)	(140)	(467)	(1,117)	1,155	38
Tax credit/(expense)	4	**125**	**-**	**125**	186	-	186	180	(343)	(163)
Profit/(loss) for the period attributable to equity holders of the Parent Company		**(135)**	**182**	**47**	(141)	(140)	(281)	(937)	812	(125)
Earnings/(loss) per share:										
Basic	5			**0.03p**			(0.3)p			(0.1)p
Diluted				**0.03p**			(0.3)p			(0.1)p

\# *Non-underlying items include restructuring costs, reversal of impairment of assets, and share-based payment costs together with the associated tax impact.*

Consolidated Statement of Comprehensive Income

for the six months ended 30 November 2023

	Unaudited six months ended 30 November 2023 £000	Unaudited six months ended 30 November 2022 £000	Year ended 31 May 2023 £000
Profit/(loss) for the period	**47**	(281)	(125)
Other comprehensive income			

Movements in fair value of cash flow hedges taken to other comprehensive income	-	3	5
Recycled to the income statement	**(2)**	-	(135)
Deferred tax on movements in cash flow hedges	-	(1)	32
Net other comprehensive (expense)/income that may be recycled to profit and loss	**(2)**	2	(98)
Re-measurement losses on pension scheme assets and liabilities	**(365)**	(880)	(1,073)
Deferred tax on re-measurement losses on pension scheme assets and liabilities	**91**	167	204
Net other comprehensive expense that will not be reclassified to profit and loss	**(274)**	(713)	(869)
Other comprehensive expense for the period net of tax	**(276)**	(711)	(967)
Total comprehensive expense for the period attributable to equity holders of the Parent Company	**(229)**	(992)	(1,092)

Consolidated Balance Sheet

at 30 November 2023

	Unaudited	Unaudited	
	30 November	30 November	31 May
	2023	2022	2023
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**4,949**	3,525	5,235
Intangible assets	**106**	263	127
Deferred tax assets	**1,409**	1,621	1,173
Defined benefit pension scheme surplus	**80**	-	-
	6,544	5,409	6,535
Current assets			
Inventories	**3,282**	3,449	3,262
Trade and other receivables	**5,440**	4,955	4,506
Income tax receivable	**165**	-	286
Cash at bank	**184**	124	157
	9,071	8,528	8,211
Total assets	**15,615**	13,937	14,746
Current liabilities			
Financial liabilities	**4,725**	3,873	4,096
Trade and other payables	**7,069**	7,281	7,572
	11,794	11,154	11,668
Non-current liabilities			
Financial liabilities	**2,835**	1,814	1,602
Deferred tax liabilities	**64**	60	40
Provisions	**806**	806	806

Defined benefit pension scheme deficit	-	634	639
	3,705	3,314	3,087
Total liabilities	**15,499**	14,468	14,755
Capital and reserves			
Share capital	**2,119**	2,088	2,107
Share premium	**7,210**	6,332	6,882
Capital redemption reserve	**109**	109	109
Revaluation reserve	**1,003**	1,003	1,003
Hedging reserve	-	102	2
Retained earnings	**(10,325)**	(10,165)	(10,112)
Total equity	**116**	(531)	(9)
Total equity and liabilities	**15,615**	13,937	14,746

Consolidated Cash Flow Statement

for the six months ended 30 November 2023

	Unaudited six months ended 30 November 2023	Unaudited six months ended 30 November 2022	Year ended 31 May 2023
	£000	£000	£000
Operating activities			
Loss for the period before tax	**(78)**	(467)	38
Adjustments for:			
Interest receivable	**(131)**	(29)	(136)
Net finance costs	**522**	213	666
Impairment reversal on property, plant and equipment, inventory and receivables	**(200)**	-	(1,372)
Dilapidations provision	**-**	-	-
Depreciation of property, plant and equipment	**295**	186	436
Amortisation of intangible assets	**17**	20	39
Profit on disposal of property plant and equipment	**(208)**	-	-
Foreign exchange rate movements	**(2)**	(6)	(140)
Share-based payments	**18**	34	99
Defined benefit pension contributions paid	**(1,206)**	(180)	(362)
Increase in inventories	**(20)**	(307)	(303)
Increase in receivables	**(1,006)**	(796)	(499)
(Decrease)/increase in payables	**(270)**	830	1,000
Corporation tax received	**121**	306	306
Net cash outflow from operating activities	**(2,148)**	(197)	(228)
Investing activities			
Purchase of property, plant and equipment	**(89)**	(205)	(410)
Purchase of software	**-**	-	(5)
Development costs	**-**	-	(10)
Disposal of property, plant and equipment	**2,200**	-	-
Interest received	**118**	29	128
Net cash inflow/(outflow) from investing activities	**2,229**	(176)	(297)
Financing activities			
Interest paid	**(522)**	(215)	(567)
Net invoice finance drawdown/(repaid)	**498**	1,047	1,297
New share capital issued	**310**	-	594
Finance lease payments	**(340)**	(337)	(642)

Net cash (outflow)/inflow from financing activities	**(54)**	497	682
Net increase in cash and cash equivalents	**27**	124	157
Cash and cash equivalents at the start of the period			
Impact of foreign exchange rate movements	**157**	-	-
	-	-	-
Cash and cash equivalents at the end of the period	**184**	124	157

Cash and cash equivalents compromise:			
Cash at bank	**184**	124	157

Consolidated Statement of Changes in Equity

for the six months ended 30 November 2023

	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 June 2022	2,087	6,308	109	100	1,003	(9,199)	408
Loss for the period	-	-	-	-	-	(281)	(281)
Other comprehensive income/(expense) for the period net of tax	-	-	-	2	-	(713)	(711)
Total comprehensive income/(expense)	-	-	-	2	-	(994)	(992)
New share capital issued	1	24	-	-	-	-	25
Share-based payments	-	-	-	-	-	34	34
Deferred tax on share-based payments	-	-	-	-	-	(6)	(6)
Total of transactions with shareholders	1	24	-	-	-	28	53
At 30 November 2022	2,088	6,332	109	102	1,003	(10,165)	(531)
Profit for the period	-	-	-	-		156	156

Other comprehensive expense for the period net of tax	-	-	-	(100)	-	(156)	(256)
Total comprehensive expense	-	-	-	(100)	-	-	(100)
New share capital issued	19	550	-	-	-	-	569
Share-based payments	-	-	-	-	-	65	65
Deferred tax on share-based payments	-	-	-	-	-	(12)	(12)
Total of transactions with shareholders	19	550	-	(100)	-	53	622
At 1 June 2023	2,107	6,882	109	2	1,003	(10,112)	(9)
Profit for the period	-	-	-	-	-	47	47
Other comprehensive expense for the period net of tax	-	-	-	(2)	-	(274)	(276)
Total comprehensive expense	-	-	-	(2)	-	(227)	(229)
New share capital issued	12	328	-	-	-	-	340
Share-based payments	-	-	-	-		18	18
Deferred tax on share-based payments	-	-	-	-		(4)	(4)
Total of transactions with shareholders	12	328	-	-	-	14	358
At 30 November 2023	**2,119**	**7,210**	**109**	**-**	**1,003**	**(10,325)**	**116**

Notes to the Interim Financial statements

1 General information and accounting policies

The unaudited interim condensed consolidated financial statements do not comprise the Group's statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2023 were approved by the Board of Directors on 30 November 2023 and filed at Companies House. The auditor's report on those accounts was unqualified but contained an emphasis of matter paragraph relating to a material uncertainty regarding going concern.

Basis of preparation

The Group's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

Accounting policies

The principal accounting policies applied in preparing the interim Financial Statements comply with IFRS as adopted by the European Union and are consistent with the policies set out in the Annual Report and Accounts for the year ended 31 May 2023.

No new standards or interpretations issued since 31 May 2023 have had a material impact on the financial statements of the Group.

Going concern

The Director's assessment of going concern is based on the Group's detailed forecast for the 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 has entered into a conditional contract for the sale of Petrel Limited that will generate gross proceeds of £3.0m on completion.

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.

2 Segmental analysis

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

	Revenue			*Operating (loss)/ profit*		
	Unaudited six months ended 30 November 2023	Unaudited six months ended 30 November 2022	Year ended 31 May 2023	**Unaudited six months ended 30 November 2023**	Unaudited six months ended 30 November 2022	Year ended 31 May 2023
	£000	£000	£000	**£000**	£000	£000
Foundries	**8,649**	8,600	16,889	**68**	(9)	(210)
Engineering	**1,962**	1,944	3,829	**327**	343	606
Segmental results	**10,611**	10,544	20,718	**395**	334	396
Shared costs				**(264)**	(477)	(983)
Non-underlying items (Note 7)				**182**	(140)	1,155
Net finance costs				**(391)**	(184)	(530)
(Loss)/profit before tax				**(78)**	(467)	38

The Foundries segment is a supplier of iron castings, in raw or machined form, to a variety of industrial customers who incorporate the castings into their own products or carry out further machining or assembly operations on the castings before selling them on. The Engineering segment provides manufactured hazardous area lighting products to distributors and end-users.

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

3 Finance costs

	Unaudited six months ended 30 November 2023	Unaudited six months ended 30 November 2022	Year ended 31 May 2023
	£000	£000	£000
Bank overdraft and invoice finance interest payable	**(321)**	(127)	(365)
Interest expense on lease liabilities and other interest payable	**(214)**	(86)	(301)
	(535)	(213)	(666)

4 Income tax expense

An estimated effective rate of tax for the six months to 30 November 2023 of 160.3% (30 November 2022: 39.8%) has been used in these interim statements. This rate differs to the standard corporation tax rate of 25% due primarily due to the recognition of a deferred tax asset on certain trading losses, accelerated capital allowances, research and development credits and short-term timing differences. The corporation tax rate was 19% for the year ended 31 May 2023 and is expected to be 25% for the year ended 31 May 2024.

5 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(loss) attributable to shareholders and the weighted average number of ordinary shares in issue. In calculating the diluted loss per share, adjustment has been made for the dilutive effect of outstanding share options where applicable. Underlying earnings/(loss) per share, which excludes non-underlying items and the related tax thereon as disclosed in Note 7, as analysed below, has been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group.

	Unaudited six months ended 30 November 2022	Unaudited six months ended 30 November 2021	Year ended 31 May 2022
	£000	£000	£000
Profit/(loss) after tax for basic earnings per share	**47**	(281)	(125)
Non-underlying operating items	**(182)**	140	(1,155)
Taxation effect of the above	**-**	-	343
Loss for underlying earnings per share	**(135)**	(141)	(937)

	Unaudited six months ended 30 November 2023	Unaudited six months ended 30 November 2022	Year ended 31 May 2023
	000	000	000
Weighted average number of ordinary shares	**137,723**	105,625	112,603
Adjustment to reflect dilutive shares under option	**3,688**	3,581	1,888
Diluted weighted average number of ordinary shares	**141,411**	109,206	114,491

There is no adjustment for the shares under option in the diluted loss per share calculation for the six months ended 30 November 2022 and year ended 31 May 2023 as they are required to be excluded from the weighted average number of shares as they are anti-dilutive.

6 Pensions

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

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

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

	30 November 2023	30 November 2022	31 May 2023
Salary increases	**n/a**	n/a	n/a
Pension increases (post 1997)	**3.0%**	3.1%	3.0%
Discount rate	**5.2%**	4.5%	5.4%
Inflation assumption - RPI	**3.1%**	3.1%	3.1%
Inflation assumption - CPI	**2.5%**	2.4%	2.5%

The demographic assumptions used for 30 November 2023 were the same as those used at 31 May 2023, and were based on the last full actuarial valuation performed as at 31 March 2022. The contributions expected to be paid during the year to 31 May 2024 are £409,000. The next triennial valuation is due as at 31 March 2025.

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

Funding status	**Unaudited 30 November 2023 £000**	Unaudited 30 November 2022 £000	31 May 2023 £000
Scheme assets at end of period	**11,847**	11,924	11,000
Benefit obligations at end of period	**(11,767)**	(12,558)	(11,639)
Surplus/(deficit) in scheme	**80**	(634)	(639)
Related deferred tax (liability)/asset	**(20)**	159	160
Net pension asset/(liability)	**60**	(475)	(479)

The change in the net pension liability since 31 May 2023 is mainly due to the additional employer contribution of £1.1m partially offset by negative investment returns arising from a fall in the market value of scheme assets and an increase in the value of liabilities as a consequence of a reduction in bond yields reducing the discount rate.

7 Non-underlying items

	Unaudited six months ended 30 November 2023 £000	Unaudited six months ended 30 November 2022 £000	Year ended 31 May 2023 £000
Group reorganisation	**-**	106	118
Reversal of impairment of property, plant & equipment	**(200)**	-	(1,372)
Share-based payment charge	**18**	34	99
Non-underlying operating income/(costs)	**(182)**	140	(1,155)
Taxation			
- tax effect of non-underlying costs	**-**	-	343
	(182)	140	(812)

In the six months ended 30 November 2023, the Group reversed £200,000 of the impairment to property, plant and equipment in the foundry division's machining facility following improved performance and prospects.

8 Net debt

	Unaudited	Unaudited	
	30 November	30 November	31 May
	2023	2022	2023
	£000	£000	£000
Current financial assets/(liabilities)			
Net cash	**184**	124	157
Lease liabilities	**(689)**	(580)	(554)
Invoice finance liability	**(4,036)**	(3,293)	(3,542)
Net debt due in less than one year	**(4,541)**	(3,749)	(3,939)
Lease liabilities due in more than one year	**(2,835)**	(1,814)	(1,602)
Net debt	**(7,376)**	(5,563)	(5,541)

9 Interim report

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

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Companies

Chamberlin (CMH)

Latest Directors Dealings

21 minutes ago Bakkavor Group

24 minutes ago QinetiQ Group

1 hour ago Moneysupermarket.com Group

1 hour ago Inchcape

2 hours ago National Grid