

Company Registration No. 00707502 (England and Wales)

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

**Tavistock House South
Tavistock Square
London
WC1H 9LG**

**Rayner Essex LLP
Chartered Accountants**

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

COMPANY INFORMATION

Directors	J Bushell P A Bushell J Howard B J Kendrick D Pike G Bartlett	(Appointed 17 June 2020) (Appointed 28 May 2021) (Appointed 28 May 2021) (Appointed 23 July 2021)
Secretary	D Pike	
Company number	00707502	
Registered office	c/o Rayner Essex LLP Tavistock House South Tavistock Square London United Kingdom WC1H 9LG	
Auditor	Rayner Essex LLP Tavistock House South Tavistock Square London WC1H 9LG	
Business address	Acres Hill Lane Sheffield South Yorkshire S9 4LR	
Bankers	HSBC Bank Plc Global House High Street Crawley West Sussex RH10 1DL	

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

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P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2021

The directors present the strategic report for the year ended 31 May 2021.

Fair review of the business

The group continues to enjoy a good reputation for the high quality components it manufactures. The group has strong working relationships with its existing customers and is looking to develop relationships with new customers.

The subsidiary company P & B Metal Components (Asia) Shd. Bhd. continued to develop in line with expectations by building its customer base locally and also in the overall Asian market. Turnover increased in the year and the company achieved an operating profit, however incurred a loss before tax for the year as a result of unrealised foreign exchange losses on retranslation of group intercompany balances at the year-end date amounting to £315,913 which is shown in note 5 to the accounts. The Directors anticipate that, despite the Coronavirus pandemic and its impact on the supply chain, the business will deliver an operating profit in the year to 31 May 2022. The Board are pleased to note a reduction of £300,412 in the year of the amount due from the subsidiary and projections for future years indicate a gradual repayment of the debt. The Board however recognises that the value of the investment in the subsidiary could be considered to be impaired at the year end date and in the prior year made a provision of £726,438 against the carrying value of the investment. No further provision has been made in the current year.

As a result of a detailed review by the Board, a major restructuring of the company and group's manufacturing operations was carried out during the prior year at an estimated cost of £1,019,983 which predominantly included costs relating to the closure of the Whitstable site. Additional costs of £109,603 were incurred this year in respect of the group restructure which is shown in note 4 to the accounts. The closure of the Whitstable Head Office resulted in the need to establish fully functioning teams in the operations centre in Sheffield from Executive Directors through all administrative functions. The benefits to be realised from restructuring the business to co-locate manufacture and streamline management functions enable improved operational processes and working capital management. The costs of the restructuring are predicted to be recovered over the next 12 months. The profit from the sale of the Whitstable site in the year amounted to £547,374 which is shown in note 4 to the accounts. The restructuring programme was already underway before the restrictions of COVID-19 were implemented by the Government in the prior year and impacted the timing but not the overall cost. In the prior year the Directors were pleased to report a successful loan application under the Government backed "Coronavirus Business Interruption Loan" scheme amounting to £1,100,000 which provided liquidity for the company and group in the current year together with the net proceeds of £1,377,225 from the sale of the Whitstable site in November 2020.

During the previous financial year, the actuary of the company's defined benefit pension scheme prepared his triennial review as at 1 June 2017. The result of the review indicates a deficit of £5,756,000 which is significantly lower than the provision of £8,597,000 that the company is required to reflect in its accounts at that date in accordance with the provisions of FRS 102. The variation of £2,841,000 is due to the different approach used to calculate the triennial actuarial liabilities and the FRS 102 liabilities. The key difference is that the FRS 102 valuation requires the discount rate to be set using corporate bonds whereas the triennial review discount rate is based on the expected returns of the scheme assets which have historically been higher. The next triennial review fell due on 1 March 2021 and is not expected to be available until the later this year. The FRS 102 deficit at the year end date of £7,759,000 can then be measured against the results of the triennial review when available.

The Directors draw attention to recent appointments to the Board as noted in the Directors' Report on page 4.

Principal risks and uncertainties

The Directors continue to monitor KPIs to mitigate risk and identify new opportunities as they arise. The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives.

Competitive risks

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

Exposure to credit, liquidity and cash flow risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Our policies are aimed at minimising such losses.

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities. We aim to mitigate liquidity risk by managing net cash generation within our operations.

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance the day-to-day operations. We manage cash flow risk by careful management of terms with customers and suppliers and by active updates of trading performance with trade insurers.

Development and performance

The withdrawal of the United Kingdom from the European Union

The Directors are managing any risks by closely monitoring developments, and are confident that the group will be able to amend and modify its procedures to remain fully compliant with any future rules and regulations, and to maintain its standing and reputation in the marketplace throughout Europe and worldwide.

Coronavirus and the COVID-19 pandemic

The business was impacted throughout its supply chain from suppliers, through logistics to customers. It was also affected by government imposed lockdowns and self-isolation of staff. With the COVID recovery in Malaysia lagging that in the UK, the threat of new variants continues to pose a risk to the business and its supply chain.

Key performance indicators

The directors use a number of measures, both financial and non-financial to monitor and benchmark the performance of the group. They regard the following as the key financial indicators of performance:-

Operating profit (before depreciation, amortisation and exceptional items) - measuring the profits generated by the group.

Net cash flows from operating activities - measuring the performance in translating operating profit into cash flow through management of working capital.

Year Ended	Operating profit/(loss) before depreciation, amortisation & exceptional items	Net cash inflow/(outflow) from operating activities
	£	£
31 May 2021	(1,307,586)	(1,625,474)
31 May 2020	(493,065)	1,204,996

As a consequence of performance in the business evidenced in the above indicators the directors commenced work to understand more deeply the business' cost base, its manufacturing processes and customer profitability as part of a turnaround strategy for the group. A process to increase cash generation was started which included the exit of loss making lines, the shortening of customer credit terms, exit of manufacturing on customer owned production lines and other operational enhancements.

Other performance indicators

The key non-financial indicators are associated with the group's ability to maintain its existing customer base and to attract new customers. The directors are pleased to report stability with existing customers in the year as an increase in business with its largest customers driven by a deeper understanding of our cost base, our manufacturing processes and customer profitability as part of the turnaround strategy for the group in what appears to be favourable global market conditions.

Apache

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

On behalf of the board

P A Bushell
Director
21 February 2022

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2021

The directors present their annual report and financial statements for the year ended 31 May 2021.

Principal activities

The principal activity of the group continued to be that of the manufacture of precious and base metal components.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Bushell	(Appointed 17 June 2020)
P A Bushell	
J Howard	
A Amos	(Resigned 11 December 2020)
N Hudson	(Resigned 31 December 2020)
B J Kendrick	(Appointed 28 May 2021)
D Pike	(Appointed 28 May 2021)
G Bartlett	(Appointed 23 July 2021)

Auditor

In accordance with the company's articles, a resolution proposing that Rayner Essex LLP be reappointed as auditor of the group will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

P A Bushell
Director

21 February 2022

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

Opinion

We have audited the financial statements of P & B Metal Components Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2021 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with the directors and other management, and from our commercial knowledge and experience of the sector they operate in;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, health and safety, ISO accreditation, anti-bribery, employment and GDPR regulations;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and relevant regulators.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Essex FCA (Senior Statutory Auditor)
For and on behalf of Rayner Essex LLP

21 February 2022

Chartered Accountants
Statutory Auditor

Tavistock House South
Tavistock Square
London
WC1H 9LG

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2021**

	Notes	2021 £	2020 £
Turnover	3	21,629,954	22,625,588
Cost of sales		(18,818,369)	(19,510,474)
Gross profit		<u>2,811,585</u>	<u>3,115,114</u>
Distribution costs		(982,188)	(713,769)
Administrative expenses		(3,648,394)	(3,303,699)
Government grants receivable		185,675	62,685
Profit on sale of property	4	547,374	-
Restructuring costs	4	(109,703)	(1,019,983)
Provision for onerous contracts	4	(150,546)	-
Operating loss	5	<u>(1,346,197)</u>	<u>(1,859,652)</u>
Interest receivable and similar income	9	333,353	459,819
Interest payable and similar expenses	10	(627,347)	(766,022)
Loss before taxation		<u>(1,640,191)</u>	<u>(2,165,855)</u>
Tax on loss	11	(539,696)	334,225
Loss for the financial year		<u><u>(2,179,887)</u></u>	<u><u>(1,831,630)</u></u>

Loss for the financial year is all attributable to the owners of the parent company.

The income statement has been prepared on the basis that all operations are continuing operations.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021**

	2021	2020
	£	£
Loss for the year	(2,179,887)	(1,831,630)
	<u> </u>	<u> </u>
Other comprehensive income		
Actuarial gain/(loss) on defined benefit pension schemes	3,204,000	(2,706,000)
Currency translation differences	198,240	21,778
Tax relating to other comprehensive income	(164,880)	663,030
	<u> </u>	<u> </u>
Other comprehensive income for the year	3,237,360	(2,021,192)
	<u> </u>	<u> </u>
Total comprehensive income for the year	1,057,473	(3,852,822)
	<u> </u>	<u> </u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**GROUP STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	14		4,001		6,001
Tangible assets	15		5,134,191		6,037,301
			<u>5,138,192</u>		<u>6,043,302</u>
Current assets					
Stocks	18	3,967,950		5,244,793	
Debtors - deferred tax	25	1,939,750		2,152,012	
Debtors - other	19	6,933,730		5,643,885	
Cash at bank and in hand		1,161,093		1,683,529	
			<u>14,002,523</u>	<u>14,724,219</u>	
Creditors: amounts falling due within one year	20	<u>(10,002,178)</u>		<u>(8,933,659)</u>	
Net current assets			<u>4,000,345</u>		<u>5,790,560</u>
Total assets less current liabilities			<u>9,138,537</u>		<u>11,833,862</u>
Creditors: amounts falling due after more than one year	21		<u>(1,085,396)</u>		<u>(1,341,113)</u>
Provisions for liabilities					
Provisions	24	150,546		821,941	
Deferred tax liability	25	492,314		-	
			<u>(642,860)</u>	<u>821,941</u>	
Net assets excluding pension liability			<u>7,410,281</u>		<u>9,670,808</u>
Defined benefit pension liability	26		<u>(7,759,000)</u>		<u>(11,077,000)</u>
Net liabilities			<u><u>(348,719)</u></u>		<u><u>(1,406,192)</u></u>
Capital and reserves					
Called up share capital	27		736,359		736,359
Share premium account			619,759		619,759
Other reserves			71,735		71,735
Profit and loss reserves			<u>(1,776,572)</u>		<u>(2,834,045)</u>
Total equity			<u><u>(348,719)</u></u>		<u><u>(1,406,192)</u></u>

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P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MAY 2021

The financial statements were approved by the board of directors and authorised for issue on 21 February 2022 and are signed on its behalf by:

P A Bushell
Director

Company Registration No. 00707502

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2021**

		2021		2020	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	14		4,001		6,001
Tangible assets	15		5,016,142		5,696,172
Investments	16		198,174		198,174
			<u>5,218,317</u>		<u>5,900,347</u>
Current assets					
Stocks	18	3,314,375		4,673,251	
Debtors - deferred tax	25	1,939,750		2,152,012	
Debtors - other	19	9,949,750		9,034,271	
Cash at bank and in hand		1,035,214		1,405,678	
		<u>16,239,089</u>		<u>17,265,212</u>	
Creditors: amounts falling due within one year	20	<u>(9,739,175)</u>		<u>(8,881,025)</u>	
Net current assets			<u>6,499,914</u>		<u>8,384,187</u>
Total assets less current liabilities			<u>11,718,231</u>		<u>14,284,534</u>
Creditors: amounts falling due after more than one year	21		<u>(1,081,036)</u>		<u>(1,332,740)</u>
Provisions for liabilities					
Provisions	24	150,546		821,941	
Deferred tax liability	25	492,314		-	
		<u>(642,860)</u>		<u>(821,941)</u>	
Net assets excluding pension liability			<u>9,994,335</u>		<u>12,129,853</u>
Defined benefit pension liability	26		<u>(7,759,000)</u>		<u>(11,077,000)</u>
Net assets			<u><u>2,235,335</u></u>		<u><u>1,052,853</u></u>
Capital and reserves					
Called up share capital	27		736,359		736,359
Share premium account			619,759		619,759
Profit and loss reserves			879,217		(303,265)
Total equity			<u><u>2,235,335</u></u>		<u><u>1,052,853</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,856,638 (2020: £2,285,866 loss) before other comprehensive income of £3,039,120 (2020: deficit of £2,042,970) in the year.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MAY 2021

The financial statements were approved by the board of directors and authorised for issue on 21 February 2022 and are signed on its behalf by:

P A Bushell
Director

Company Registration No. 00707502

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**GROUP STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MAY 2021**

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£
Balance at 1 June 2019	736,359	619,759	71,735	1,215,577	2,643,430
Year ended 31 May 2020:					
Loss for the year	-	-	-	(1,831,630)	(1,831,630)
Other comprehensive income:					
Actuarial losses on defined benefit plans	-	-	-	(2,706,000)	(2,706,000)
Currency translation differences	-	-	-	21,778	21,778
Tax relating to other comprehensive income	-	-	-	663,030	663,030
Total comprehensive income for the year	-	-	-	(3,852,822)	(3,852,822)
Dividends	12	-	-	(196,800)	(196,800)
Balance at 31 May 2020	736,359	619,759	71,735	(2,834,045)	(1,406,192)
Year ended 31 May 2021:					
Loss for the year	-	-	-	(2,179,887)	(2,179,887)
Other comprehensive income:					
Actuarial gains on defined benefit plans	-	-	-	3,204,000	3,204,000
Currency translation differences	-	-	-	198,240	198,240
Tax relating to other comprehensive income	-	-	-	(164,880)	(164,880)
Total comprehensive income for the year	-	-	-	1,057,473	1,057,473
Balance at 31 May 2021	736,359	619,759	71,735	(1,776,572)	(348,719)

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MAY 2021**

	Share capital	Share premium	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 June 2019	736,359	619,759	4,222,371	5,578,489
Year ended 31 May 2020:				
Loss for the year	-	-	(2,285,866)	(2,285,866)
Other comprehensive income:				
Actuarial losses on defined benefit plans	-	-	(2,706,000)	(2,706,000)
Tax relating to other comprehensive income	-	-	663,030	663,030
Total comprehensive income for the year	-	-	(4,328,836)	(4,328,836)
Dividends	12	-	(196,800)	(196,800)
Balance at 31 May 2020	736,359	619,759	(303,265)	1,052,853
Year ended 31 May 2021:				
Loss for the year	-	-	(1,856,638)	(1,856,638)
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	3,204,000	3,204,000
Tax relating to other comprehensive income	-	-	(164,880)	(164,880)
Total comprehensive income for the year	-	-	1,182,482	1,182,482
Balance at 31 May 2021	736,359	619,759	879,217	2,235,335

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**GROUP STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 MAY 2021**

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	33				
		(1,514,127)		1,322,018	
Interest paid		(111,347)		(117,022)	
		<u> </u>		<u> </u>	
Net cash (outflow)/inflow from operating activities		(1,625,474)		1,204,996	
Investing activities					
Purchase of tangible fixed assets		(131,793)		(163,517)	
Proceeds on disposal of tangible fixed assets		1,450,830		-	
Contributions to defined benefit pension scheme		(225,000)		(300,000)	
Interest received		3,353		1,819	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) investing activities		1,097,390		(461,698)	
Financing activities					
Proceeds of new bank loans		-		1,100,000	
Repayment of bank loans		(137,041)		(38,197)	
Payment of finance leases obligations		(89,266)		(64,060)	
Invoice discounting		231,955		(380,657)	
Dividends paid to equity shareholders		-		(196,800)	
		<u> </u>		<u> </u>	
Net cash generated from financing activities		5,648		420,286	
		<u> </u>		<u> </u>	
Net (decrease)/increase in cash and cash equivalents		(522,436)		1,163,584	
Cash and cash equivalents at beginning of year		1,683,529		519,945	
		<u> </u>		<u> </u>	
Cash and cash equivalents at end of year		<u> </u>		<u> </u>	
		<u> </u>		<u> </u>	

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

Company information

P & B Metal Components Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is c/o Rayner Essex LLP, Tavistock House South, Tavistock Square, London, United Kingdom, WC1H 9LG. The principal place of business is Acres Hill Lane, Sheffield, South Yorkshire, S9 4LR.

The group consists of P & B Metal Components Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – disclosures including categories of financial assets and financial liabilities.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company P & B Metal Components Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 May 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in sterling, the functional currency of the parent company and hence the currency of presentation of the consolidated financial statements of the group.

The procedures for translation of the financial statements expressed in foreign currency other than sterling are the following:

- the items of the Statement of Financial Position are translated into sterling at the year-end exchange rates;
- the Income Statement items are translated into sterling using the year's average exchange rates;
- differences arising on translation of opening equity at year-end exchange rates are recognised in other comprehensive income.

1.4 Going concern

These financial statements are prepared on a going concern basis. As at 31 May 2021, the group incurred a net loss of £2,179,887 before other comprehensive income of £3,237,360 resulting in a positive movement in reserves of £1,057,473 in the year. Since the year end date, the Directors have produced a detailed three year plan. This together with the turnaround plans in place mean the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future.

The Directors are continuously working on the turnaround strategy for the business during the difficult trading period as a result of the Covid-19 pandemic and they have taken action such as to reduce fixed overheads where possible to mitigate the impact of the pandemic on the results in the current year. In addition, in the prior year and leading into the year ended 31 May 2021 the group undertook a restructuring of its manufacturing operations at an estimated cost of £1,019,983 which predominantly included costs relating to the closure of the Whitstable site. Additional costs of £109,603 were incurred this year in respect of the group restructure which is shown in note 4 to the accounts. The benefits to be realised from the restructuring include streamlined management functions and operational efficiencies. The costs of the restructuring are predicted to be recovered over the next 12 months.

In addition, the company secured a CBIL's loan amounting to £1,100,000 in the prior year which along with the net sale proceeds of £1,377,225 from the sale of the Whitstable site provided liquidity for the company and group in the current year. The Directors have prepared forecasts and projections which support its ability to continue trading and commissioned an independent business review which was conducted in January 2022 to satisfy themselves that the forecasts and business plan are achievable.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

The forecasts and projections that have been prepared include a base forecast as well as sensitised downside scenarios for the business. These demonstrate the ability for the company to continue trading within the agreed bank facilities together with an extended payment plan that is being negotiated with regards to the settlement of the pension deficit which is shown in note 26 to the accounts.

As at 31 May 2021 the group's liabilities exceeded the total assets by £348,719 which is after taking into account the defined benefit pension liability amounting to £7,759,000. The company is negotiating extended settlement terms with the Trustees of the company's defined benefit scheme which will allow the group to manage working capital requirements within its facilities.

After considering the factors described above the Directors are confident that with the ongoing support of its existing banking facilities the group will continue to have access to adequate resources in order to continue in operational existence for the foreseeable future.

The financial statements do not include any adjustment that would result from the withdrawal of the continued support described above.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT, other sales related taxes and trade discounts.

Revenue from the sale of goods is recognised when the goods are physically delivered to the customer.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Goodwill	20% straight line
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1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	Nil
Plant and machinery	10 - 20% reducing balance
Fixtures, fittings & equipment	15 - 33% reducing balance
Motor vehicles	25% reducing balance

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

No depreciation is charged on freehold property because the directors consider that the economic life and residual value of the property is such that the depreciation charge and accumulated depreciation would be immaterial. The company has a policy and practice of regular maintenance and repair of freehold property and the residual value of the property is regularly reviewed in order to identify any impairment which would be charged to the income statement. No impairment was identified during the review conducted as at 31 May 2021.

1.8 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the income statement in the separate financial statements of the company.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income statement. Reversals of impairment losses are also recognised in the income statement.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.15 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

The company also operates a defined benefit scheme for the benefit of its employees. Until 31 March 2006 the company operated this scheme with one other related company which required contributions to be made to a separately administered fund. During January 2006 a related company ceased to be part of the scheme when it was acquired by a third party. At that date the proportion of the Scheme deficit applicable to that company was quantified. This scheme was frozen to new members on 31 March 2006 and the scheme has been suspended from further pension accrual with all contribution members becoming 'Deferred Pensioners'. The latest information available regarding the scheme is provided in note 26 to the accounts.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.20 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Where exchange gains/losses result from the sale of foreign currency, they are taken to the profit and loss account. All other exchange differences are treated as unrealised gains/losses.

Exchange differences arising on monetary items that form part of the net investment in a foreign subsidiary are recognised in other comprehensive income and are not reclassified to profit or loss.

1.21 Research and development

Research expenditure is written off to the income statement in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, future pension increases and the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP). Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Impairment assessment on investments in subsidiaries

The group assesses the impairment of investments in subsidiaries whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The group measures the impairment based on a projected future cash flow of the subsidiary undertaking, including the underlying assumptions of sales growth rate and profitability estimated by the entities' internal management team. The group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provisions

Provisions are recognised at the statement of financial position date at management's best estimate of the expenditure required to settle the present obligation. The carrying amounts of provisions are regularly reviewed and adjusted for new facts or changes in law, technology or financial markets.

Restructuring provision

A restructuring provision is measured at the best estimate of the expenditure required to settle the present obligation, taking into account the risks and uncertainties of the obligation and when the time value of money is material, discounting to present value. A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. The costs often incurred as part of a restructuring include employee termination benefits under a one-time termination plan, contract termination costs and costs to consolidate or close a site.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****2 Judgements and key sources of estimation uncertainty****(Continued)**Onerous contract provision

An onerous contract provision is recognised when the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable cost under a contract is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

Stock provision

At each reporting date, an assessment is made for any impairment of stock. Any excess of the carrying amount of the stock over its estimated selling price is recognised as an impairment loss in the Group Income Statement

3 Turnover and other revenue

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

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of precious and base metal components	21,629,954	22,625,588
	<u>21,629,954</u>	<u>22,625,588</u>
Turnover analysed by geographical market		
	2021	2020
	£	£
United Kingdom	4,694,697	4,674,001
Europe	5,549,007	7,041,209
Far East and Asia	6,194,300	6,085,197
America	5,191,950	4,825,181
	<u>21,629,954</u>	<u>22,625,588</u>
Other significant revenue		
	2021	2020
	£	£
Interest income	333,353	459,819
Grants received	185,675	62,685
	<u>519,028</u>	<u>522,504</u>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****6 Auditor's remuneration**

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	32,000	32,000
Audit of the financial statements of the company's subsidiaries	3,816	4,266
	<u>35,816</u>	<u>36,266</u>
For other services		
All other non-audit services	<u>34,435</u>	<u>31,050</u>

7 Employees

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

	Group	2020	Company	2020
	2021	Number	2021	Number
	Number	Number	Number	Number
Management and administration	59	49	41	37
Manufacturing	141	214	97	160
	<u>200</u>	<u>263</u>	<u>138</u>	<u>197</u>
Total	<u>200</u>	<u>263</u>	<u>138</u>	<u>197</u>

Their aggregate remuneration comprised:

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
Wages and salaries	4,453,786	5,728,765	3,920,287	5,121,240
Social security costs	374,261	471,622	364,244	460,563
Pension costs	241,391	340,373	191,206	283,113
	<u>5,069,438</u>	<u>6,540,760</u>	<u>4,475,737</u>	<u>5,864,916</u>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****8 Directors' remuneration**

	2021	2020
	£	£
Remuneration for qualifying services	401,458	327,047
Company pension contributions to defined contribution schemes	18,489	26,870
	<u>419,947</u>	<u>353,917</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 4).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2020 - 2).

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

	2021	2020
	£	£
Remuneration for qualifying services	<u>200,067</u>	<u>86,753</u>

9 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	1,463	1,819
Interest on the net defined benefit asset	330,000	458,000
Other interest income	1,890	-
Total income	<u>333,353</u>	<u>459,819</u>

10 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	94,332	102,756
Interest on finance leases and hire purchase contracts	17,015	14,266
Net interest on the net defined benefit liability	516,000	649,000
Total finance costs	<u>627,347</u>	<u>766,022</u>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

11 Taxation

	2021	2020
	£	£
Deferred tax		
Origination and reversal of timing differences	539,696	(334,225)
	<u>539,696</u>	<u>(334,225)</u>

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

	2021	2020
	£	£
Loss before taxation	(1,640,191)	(2,165,855)
	<u>(1,640,191)</u>	<u>(2,165,855)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(311,636)	(411,512)
Tax effect of expenses that are not deductible in determining taxable profit	45,325	12,186
Unutilised tax losses carried forward	362,496	357,789
Permanent capital allowances in excess of depreciation	(90,641)	(32,411)
Depreciation on assets not qualifying for tax allowances	44,450	42,940
Deferred tax	539,696	(334,225)
FRS102 adjustments - net interest	35,340	36,290
FRS102 adjustments - contributions paid	(42,750)	(57,000)
Foreign tax adjustments	58,544	51,718
Profit on sale of property	(104,001)	-
Provision for unrealised profit in stock	2,873	-
	<u>539,696</u>	<u>(334,225)</u>
Taxation charge/(credit)	539,696	(334,225)

The group has estimated tax losses of £5,906,000 (2020 - £4,416,000) available for carry forward against future trading profits.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021	2020
	£	£
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	164,880	(663,030)
	<u>164,880</u>	<u>(663,030)</u>

12 Dividends

	2021	2020
	£	£
Recognised as distributions to equity holders:		
Interim paid	-	196,800
	<u>-</u>	<u>196,800</u>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****13 Impairments**

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in the Group Income Statement:

	Notes	2021 £	2020 £
In respect of:			
Stocks	18	239,883	-
		<u>239,883</u>	<u>-</u>
Recognised in:			
Cost of sales		239,883	-
		<u>239,883</u>	<u>-</u>

14 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 June 2020 and 31 May 2021	10,003
Amortisation and impairment	
At 1 June 2020	4,002
Amortisation charged for the year	2,000
At 31 May 2021	6,002
Carrying amount	
At 31 May 2021	4,001
At 31 May 2020	6,001
Company	Goodwill £
Cost	
At 1 June 2020 and 31 May 2021	10,003
Amortisation and impairment	
At 1 June 2020	4,002
Amortisation charged for the year	2,000
At 31 May 2021	6,002

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****14 Intangible fixed assets (Continued)**

Carrying amount	
At 31 May 2021	4,001
At 31 May 2020	6,001

15 Tangible fixed assets

Group	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2020	3,811,737	12,251,098	1,187,779	90,082	17,340,696
Additions	-	395,520	57,208	39,896	492,624
Disposals	(829,851)	(294,982)	(729,327)	-	(1,854,160)
Exchange adjustments	-	(82,893)	(26,627)	(1,902)	(111,422)
At 31 May 2021	2,981,886	12,268,743	489,033	128,076	15,867,738
Depreciation and impairment					
At 1 June 2020	-	10,279,852	985,541	38,002	11,303,395
Depreciation charged in the year	-	267,384	42,726	13,626	323,736
Eliminated in respect of disposals	-	(177,229)	(639,784)	-	(817,013)
Exchange adjustments	-	(56,406)	(19,068)	(1,097)	(76,571)
At 31 May 2021	-	10,313,601	369,415	50,531	10,733,547
Carrying amount					
At 31 May 2021	2,981,886	1,955,142	119,618	77,545	5,134,191
At 31 May 2020	3,811,737	1,971,246	202,238	52,080	6,037,301

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

15 Tangible fixed assets (Continued)

Company	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2020	3,811,737	11,224,503	875,614	67,784	15,979,638
Additions	-	388,213	25,358	39,896	453,467
Disposals	(829,851)	(129,895)	(578,751)	-	(1,538,497)
At 31 May 2021	2,981,886	11,482,821	322,221	107,680	14,894,608
Depreciation and impairment					
At 1 June 2020	-	9,479,155	776,343	27,968	10,283,466
Depreciation charged in the year	-	201,745	20,898	9,306	231,949
Eliminated in respect of disposals	-	(96,147)	(540,802)	-	(636,949)
At 31 May 2021	-	9,584,753	256,439	37,274	9,878,466
Carrying amount					
At 31 May 2021	2,981,886	1,898,068	65,782	70,406	5,016,142
At 31 May 2020	3,811,737	1,745,348	99,271	39,816	5,696,172

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Plant and machinery	512,163	271,623	512,163	271,623
Fixtures, fittings & equipment	7,170	-	7,170	-
Motor vehicles	7,139	12,264	-	-
Computer equipment	63,608	30,450	63,608	30,450
	590,080	314,337	582,941	302,073

16 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	17	-	-	198,174	198,174

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****16 Fixed asset investments (Continued)****Movements in fixed asset investments
Company****Cost**

At 1 June 2020 and 31 May 2021

**Shares in
subsidiaries
£**

924,612

Impairment

At 1 June 2020 and 31 May 2021

726,438

Carrying amount

At 31 May 2021

198,174

At 31 May 2020

198,174

The carrying value of the investment in the Malaysian subsidiary was reviewed at the year end date and the impairment provision reflected above.

17 Subsidiaries

Details of the company's subsidiaries at 31 May 2021 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% held
P & B Metal Components (Asia) Sdn. Bhd. Malaysia	Manufacture of precious and base metal components	Ordinary	100%
Allenvale Tools & Production Ltd England	Dormant	Ordinary	100%
Turnomatic Ltd England	Dormant	Ordinary	100%

The above listed subsidiaries are included in the consolidated financial statements of the group.

18 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Raw materials and consumables	2,199,303	2,389,681	1,737,025	2,004,677
Work in progress	1,768,647	2,855,112	1,577,350	2,668,574
	<u>3,967,950</u>	<u>5,244,793</u>	<u>3,314,375</u>	<u>4,673,251</u>

An impairment review was undertaken during the year and stock values written down accordingly to take into account of slow moving and obsolete stock as disclosed in Impairments, note 13 above.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

19 Debtors

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	6,330,312	5,191,664	5,841,453	4,799,273
Amounts owed by group undertakings	-	-	3,597,397	3,867,809
Other debtors	151,238	135,383	139,594	99,016
Prepayments and accrued income	452,180	316,838	371,306	268,173
	<u>6,933,730</u>	<u>5,643,885</u>	<u>9,949,750</u>	<u>9,034,271</u>
Deferred tax asset (note 25)	-	47,382	-	47,382
	<u>6,933,730</u>	<u>5,691,267</u>	<u>9,949,750</u>	<u>9,081,653</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 25)	1,939,750	2,104,630	1,939,750	2,104,630
	<u>1,939,750</u>	<u>2,104,630</u>	<u>1,939,750</u>	<u>2,104,630</u>
Total debtors	<u>8,873,480</u>	<u>7,795,897</u>	<u>11,889,500</u>	<u>11,186,283</u>

20 Creditors: amounts falling due within one year

		Group	2020	Company	2020
	Notes	2021	2020	2021	2020
		£	£	£	£
Bank loans	22	366,667	39,500	366,667	39,500
Obligations under finance leases	23	128,879	65,805	125,852	64,000
Trade creditors		2,455,142	2,860,977	2,242,386	2,752,362
Amounts owed to group undertakings		-	-	190,757	190,757
Other taxation and social security		108,851	100,207	108,851	100,207
Other creditors		5,525,557	5,103,685	5,413,488	5,103,685
Accruals and deferred income		1,417,082	763,485	1,291,174	630,514
		<u>10,002,178</u>	<u>8,933,659</u>	<u>9,739,175</u>	<u>8,881,025</u>

Included in other creditors is an amount of £3,955,714 (2020: £3,723,759) representing amounts advanced against the parent company's trade debtors. The advance is secured by a fixed and floating charge over all the assets of the company.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****21 Creditors: amounts falling due after more than one year**

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	22	733,333	1,197,541	733,333	1,197,541
Obligations under finance leases	23	352,063	143,572	347,703	135,199
		<u>1,085,396</u>	<u>1,341,113</u>	<u>1,081,036</u>	<u>1,332,740</u>

22 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	1,100,000	1,237,041	1,100,000	1,237,041
Payable within one year	366,667	39,500	366,667	39,500
Payable after one year	733,333	1,197,541	733,333	1,197,541

The bank loans are secured by legal charges over the parent company's freehold property and by a fixed and floating charge over all the assets of the parent company.

23 Finance lease obligations

	Group 2021 £	2020 £	Company 2021 £	2020 £
Future minimum lease payments due under finance leases:				
Within one year	128,879	65,805	125,852	64,000
In two to five years	352,063	143,572	347,703	135,199
	<u>480,942</u>	<u>209,377</u>	<u>473,555</u>	<u>199,199</u>

Finance lease payments represent rentals payable by the group and company for certain items of plant and machinery. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****24 Provisions for liabilities**

		Group		Company	
	Notes	2021	2020	2021	2020
		£	£	£	£
Restructuring provision		-	821,941	-	821,941
Onerous contracts		150,546	-	150,546	-
		<u>150,546</u>	<u>821,941</u>	<u>150,546</u>	<u>821,941</u>
Deferred tax liabilities	25	492,314	-	492,314	-
		<u>642,860</u>	<u>821,941</u>	<u>642,860</u>	<u>821,941</u>

Movements on provisions apart from deferred tax liabilities:

Group & Company	Restructuring provision	Onerous contracts	Total
	£	£	£
At 1 June 2020	821,941	-	821,941
Addition	109,703	150,546	260,249
Utilisation	(931,644)	-	(931,644)
	<u>-</u>	<u>150,546</u>	<u>150,546</u>
At 31 May 2021	<u>-</u>	<u>150,546</u>	<u>150,546</u>

The restructuring provision comprised of estimated costs relating to the closure of the group's Whitstable site and the transfer of the manufacturing operations and related assets to the group's other two sites. The restructure was announced on 12 February 2020 and completed in the current financial year. Additional staff costs amounting to £109,703 not included in the provision of £821,941 as at 31 May 2020 have been recognised in the Group Income Statement in the current financial year to 31 May 2021.

The onerous contract provision of £150,456 as at 31 May 2021 represents the unavoidable cost of meeting obligations under certain sales contracts entered into with customers on or before 31 May 2021 that exceed the economic benefits expected to be received from them. The unavoidable cost under a contract is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

25 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Accelerated capital allowances	492,314	336,390	-	-
Tax losses	-	(336,390)	-	47,382
Retirement benefit obligations	-	-	1,939,750	2,104,630
	<u>492,314</u>	<u>-</u>	<u>1,939,750</u>	<u>2,152,012</u>
	<u><u>492,314</u></u>	<u><u>-</u></u>	<u><u>1,939,750</u></u>	<u><u>2,152,012</u></u>
			Assets 2021 £	Assets 2020 £
Company	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Accelerated capital allowances	492,314	336,390	-	-
Tax losses	-	(336,390)	-	47,382
Retirement benefit obligations	-	-	1,939,750	2,104,630
	<u>492,314</u>	<u>-</u>	<u>1,939,750</u>	<u>2,152,012</u>
	<u><u>492,314</u></u>	<u><u>-</u></u>	<u><u>1,939,750</u></u>	<u><u>2,152,012</u></u>
			Group 2021 £	Company 2021 £
Movements in the year:				
Asset at 1 June 2020			(2,152,012)	(2,152,012)
Charge to profit or loss			539,696	539,696
Charge to other comprehensive income			164,880	164,880
Asset at 31 May 2021			<u>(1,447,436)</u>	<u>(1,447,436)</u>

The deferred tax liability set out above relates to accelerated capital allowances on tangible fixed assets and is expected to reverse within the assets useful economic life.

The deferred tax assets set out above are provided in relation to the following:

A deferred tax asset on tax losses expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

The deferred tax asset set out above is provided in relation to the retirement benefit obligations as set out in note 26 of the financial statements.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****26 Retirement benefit schemes**

	2021	2020
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	241,391	340,373
	<u> </u>	<u> </u>

The group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the company. The company contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the scheme is to make the specified contributions.

Defined benefit scheme - group and company

The company also operates a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. This scheme was frozen and closed to new members on 31 March 2006 and the scheme has been suspended from further pension accrual with all contribution members becoming 'Deferred Pensioners'.

Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation of the scheme carried out on 1 June 2017 identified a deficit of £5,756,000 at that date.

This deficit of £5,756,000 is significantly lower than the provision of £8,597,000 that the company was required to reflect in its accounts at that date in accordance with the provisions of FRS 102 which is set out below. The variation of £2,841,000 was due to the different approach used to calculate the triennial actuarial liabilities and the FRS 102 liabilities.

The key difference is that the FRS 102 valuation requires the discount rate to be set using corporate bonds whereas the triennial review discount rate is based on the expected returns of the scheme assets which have historically been higher.

In light of the 2017 triennial review, the annual payments to the scheme from 1 June 2018 were reduced from £600,000 per annum to £300,000 per annum, to recognise the ongoing investment in plant and personnel. These contributions ceased for a 3 month period in the year commencing 1 June 2020.

Valuation

An actuarial valuation as at 31 May 2021 was also prepared for the purpose of applying FRS102 Section 28 Employee Benefits as applied to defined benefit plans. The actuarial valuation showed that the market value of the scheme's assets was £21,943,000 and that the actuarial value of those assets represented 73.88% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

<i>Key assumptions</i>	2021	2020
	%	%
Discount rate	2.0	1.7
Expected rate of increase of pensions in payment	2.8	2.6
Expected rate of salary increases	0	0
Retail price inflation (RPI)	3.4	3.1
Consumer Price inflation (CPI)	2.9	2.6
	<u> </u>	<u> </u>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

26 Retirement benefit schemes (Continued)

<i>Mortality assumptions</i>	2021	2020
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.5	21.4
- Females	23.5	23.3
	<hr/>	<hr/>
Retiring in 20 years		
- Males	22.9	22.7
- Females	25.1	24.9
	<hr/>	<hr/>

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

Group and company	2021	2020
	£	£
Present value of defined benefit obligations	29,702,000	30,853,000
Fair value of plan assets	(21,943,000)	(19,776,000)
	<hr/>	<hr/>
Deficit in scheme	7,759,000	11,077,000
	<hr/>	<hr/>
Total liability recognised	7,759,000	11,077,000
	<hr/>	<hr/>
Group and company	2021	2020
<i>Amounts recognised in the income statement</i>	£	£
Net interest on net defined benefit liability/(asset)	186,000	191,000
	<hr/>	<hr/>
Group and company	2021	2020
<i>Amounts taken to other comprehensive income</i>	£	£
Actual return on scheme assets	(2,851,000)	(303,000)
Less: calculated interest element	330,000	458,000
	<hr/>	<hr/>
Return on scheme assets excluding interest income	(2,521,000)	155,000
Actuarial changes related to obligations	(683,000)	2,551,000
	<hr/>	<hr/>
Total costs/(income)	(3,204,000)	2,706,000
	<hr/>	<hr/>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

26 Retirement benefit schemes (Continued)

Group and company	2021
<i>Movements in the present value of defined benefit obligations</i>	£
Liabilities at 1 June 2020	30,853,000
Benefits paid	(984,000)
Actuarial gains and losses	(683,000)
Interest cost	516,000
	<hr/>
At 31 May 2021	29,702,000
	<hr/> <hr/>

The defined benefit obligations arise from plans which are wholly or partly funded.

Group and company	2021
<i>Movements in the fair value of plan assets</i>	£
Fair value of assets at 1 June 2020	19,776,000
Interest income	330,000
Return on plan assets (excluding amounts included in net interest)	2,521,000
Benefits paid	(984,000)
Contributions by the employer	300,000
	<hr/>
At 31 May 2021	21,943,000
	<hr/> <hr/>

The actual return on plan assets was £330,000 (2020 - £458,000).

Group and company	2021	2020
<i>Fair value of plan assets at the reporting period end</i>	£	£
Invested assets	20,821,000	18,439,000
Insured pensions	1,122,000	1,337,000
	<hr/>	<hr/>
	21,943,000	19,776,000
	<hr/> <hr/>	<hr/> <hr/>

27 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	736,359	736,359	736,359	736,359
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

28 Reserves

Share premium account

This reserve records the amounts above the nominal value received for shares issued, less transaction costs.

Profit and loss reserves

This reserve includes all current and prior period retained profits and losses.

29 Financial commitments, guarantees and contingent liabilities

The company has indemnified its bank for a guarantee given by the bank in respect of HM Customs & Excise duty on imports only. The maximum amount under guarantee is £50,000 (2020: £50,000).

30 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for motor vehicles, computer equipment and plant and machinery and for the group include rentals payable for factory and office premises.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Within one year	76,075	149,864	44,787	81,835
Between two and five years	130,038	133,580	34,000	30,787
	<u>206,113</u>	<u>283,444</u>	<u>78,787</u>	<u>112,622</u>

31 Related party transactions

Remuneration of key management personnel

The key management personnel are the directors of the company. The remuneration of the directors is included in Directors' remuneration, note 8 and any related party transactions is included in Directors' transactions, note 32.

Transactions with group undertakings

The company has taken advantage of the exemption available in FRS 102 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertakings.

P & B METAL COMPONENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2021****32 Directors' transactions**

The directors of the company received dividends in the year of £nil (2020: £121,910).

In addition dividends of £nil (2020: £74,890) were paid to the Bushell Family Settlement of which a director of the company is a beneficiary.

At the statement of financial position date, the company owed £nil (2020: £23,471) to a director.

33 Cash (absorbed by)/generated from group operations

	2021 £	2020 £
Loss for the year after tax	(2,179,887)	(1,831,630)
Adjustments for:		
Taxation charged/(credited)	539,696	(334,225)
Finance costs	627,347	766,022
Investment income	(333,353)	(459,819)
Net effect of foreign exchange differences	233,091	26,224
(Gain)/loss on disposal of tangible fixed assets	(413,683)	175
Amortisation and impairment of intangible assets	2,000	2,001
Depreciation and impairment of tangible fixed assets	323,736	344,603
(Decrease)/increase in provisions	(671,395)	821,941
Movements in working capital:		
Decrease in stocks	1,276,843	984,735
(Increase)/decrease in debtors	(1,289,845)	1,180,176
Increase/(decrease) in creditors	371,323	(178,185)
	<u> </u>	<u> </u>
Cash (absorbed by)/generated from operations	(1,514,127)	1,322,018
	<u> </u>	<u> </u>

34 Analysis of changes in net funds/(debt) - group

	1 June 2020 £	Cash flows £	New finance leases £	31 May 2021 £
Cash at bank and in hand	1,683,529	(522,436)	-	1,161,093
Borrowings excluding overdrafts	(1,237,041)	137,041	-	(1,100,000)
Obligations under finance leases	(209,377)	89,266	(360,831)	(480,942)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	237,111	(296,129)	(360,831)	(419,849)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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