chamberlin plc

2008

Report and Accounts 2008

Chamberlin plc

Chamberlin plc is a respected engineering group which provides specialised castings and safety / security products to a wide variety of industries.

Contents

Highlights

All subsidiaries are making good progress and have delivered the expected profit improvement of 27%.

- Underlying profit before tax of **£1.4m*** (2007: £1.1m)
- Underlying earnings per share of **15.1p*** (2007: 10.5p)
- Dividend maintained at **11.85p** for the year (2007: 11.85p)
- Underlying return on equity of **10.0%*** (2007: 7.1%)

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Revenue	**39,967**	39,188
Underlying profit before taxation *	**1,404**	1,110
Operating profit/(loss)	**829**	(816)
Profit(loss) before taxation	**585**	(831)
Underlying earnings per share *	**15.1p**	10.5p
Basic earnings/(loss) per share (note 11)	**8.0p**	(4.4)p
Dividends per share (paid and proposed)	**11.85p**	11.85p

*Stated before exceptional costs of £494,000 and unrealised foreign currency expenses of £325,000.
(2007: Stated before non-recurring operating costs of £0.8m, exceptional costs of £1.1m and £0.4m of tax credits)

difficult things done well

Board of Directors

Tom Brown
Chairman

Aged 59, Tom joined the Board in 2003 and was appointed independent Non-Executive Chairman in March 2004. He is also a Non-Executive Director of Northgate plc and a director of a number of private companies. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc.

Tim Hair
Chief Executive

Aged 48, Tim joined the Company in June 2006 and was appointed as Chief Executive in July 2006. Tim was previously Managing Director of Sterling Hydraulics Limited and his career includes senior positions in a range of advanced engineering businesses.

Mark Bache
Finance Director

Aged 44, Mark joined the Company in November 2006 and was appointed Finance Director in December 2006. He was previously Finance Director of Pel Group Ltd and has held senior financial positions in a number of manufacturing groups since qualifying as a Chartered Accountant with PWC in 1988.

Adam Vicary
Managing Director of Chamberlin & Hill Castings Ltd.

Aged 40, Adam joined the Company in 1988 and was appointed to the Board in September 2001. He is Managing Director of Chamberlin & Hill Castings Ltd.

Keith Jackson
Non-Executive Director

Aged 59, Keith joined the Board in 2005. He was previously Finance Director of Tarmac Group Ltd, and was Finance Director of Cape plc between 1989 and 1996. He is Chairman of Russian Timber Group Limited and a director of Solana Resources and EuroChem, as well as being Chairman of a number of pension funds. Keith is Senior Independent Director and Chairman of the Audit Committee.

Alan Howarth
Non-Executive Director

Aged 62, Alan was appointed as a Director in January 2007. Alan was previously a Partner with Ernst & Young. He is Chairman of Highams Systems Services Group plc, CRF Inc, Adili plc as well as having non-executive interests in a number of smaller private companies. Alan is Chairman of the Remuneration Committee.

Chairman's Statement

"Demand is currently robust . . . we are well placed to take advantage of whatever opportunities the future presents"

The development of Chamberlin plc under the new executive team has continued during the past year, with significant progress throughout the business. Upgraded controls and improved analysis of product profitability have brought new rigour to the operating units, subsidiary management has been strengthened and the move to a more urgent and customer focused management culture is now largely complete.

Results & Dividend

Profit before tax excluding exceptional items and an unrealised foreign exchange cost increased to £1.4m, a rise of 27% on last year, while earnings per share before all one-off costs rose 44% to 15.1p (2007: 10.5p), with the improved profit supported by a tax benefit from prior years.

Revenues increased slightly to £40.0m (2007: £39.2m), with the impact of prior year disposals from Petrel somewhat masking growth in continuing operations.

Exceptional costs in the year totalled £494,000 and include the £468,000 profit from the sale of a surplus property announced in our interim results, together with a provision of £897,000 relating to a long-running action for alleged nuisance which is described more fully in the Business Review.

Chamberlin retains a strong balance sheet, with net debt at year end of £1.0M (2007: £0.2M) and gearing at 8.5% (2007: 1.8%) despite capital expenditure of £1.6M, largely aimed at opportunities for future profits growth.

I am pleased to confirm that the Board is recommending an unchanged final dividend of 8.0p per share (11.85p total for the year) payable on 28 July 2008 to shareholders on the register on 4 July 2008.

Progress

Our foundries have progressed well during the year. Overall demand has been sustained, and the price differential in favour of low cost economies is reducing, which coupled with issues relating to their quality and service have led to the return to the UK of some work previously sourced abroad. Market prices for raw materials, especially pig iron and steel scrap, have risen sharply during the fourth quarter and we are currently in negotiation with customers to achieve recovery of these costs. All three foundry sites are improving performance and winning new customers, and we expect further progress in the coming year.

Our engineering companies continue to make a strong contribution to our results, generating 38% of Group trading profit (before shared costs) from a base of 18% of Group revenues. Both companies are respected players in their markets and we believe that they still have considerable potential.

Pensions

During the year, and after appropriate consultation with employees, the final salary pension scheme was closed to further accrual of benefits and the few remaining active members were transferred to a Group Personal Pension Scheme. All future pension benefits for employees will be provided on this basis. The final salary scheme underwent a triennial valuation, and at year end the pension deficit stood at £1.1m (2007: £2.2m).

Tom Brown

Strategy

We have continued to explore opportunities to acquire businesses that fit our strategy of building a more broadly-based engineering Group around the theme of "difficult things done well." Although we have reviewed a number of businesses that appeared to meet our criteria none has proved appropriate, and we are continuing our search for suitable targets.

Outlook

Our work in 2007/08 has built effectively on the foundations laid during the previous year. Demand is currently robust, present trading is in line with management expectations, and although an economic slowdown cannot be ruled out we are well placed to take advantage of whatever opportunities the future presents. Meanwhile we remain determined to expand by acquisition, but will only do so when our criteria are met.

Tom Brown
Chairman
5 June 2008

Tim Hair

“Significant progress has been achieved throughout the business . . . the change to a modern management culture is now largely complete.”

The turnaround process that we initiated some 18 months ago has progressed well, delivering the expected profit improvement of 27%. All subsidiaries are making good progress, run either by managers appointed by the new executive team or by ones who have responded well to the changed business culture; they are providing strong leadership to their businesses and reducing the reliance on direction from the centre.

FINANCE

The underlying profit before tax and exceptional items (PBTE) for the year was £1.4m, an increase of 27% over the previous year. This is before the impact of revaluing forward currency contracts, which in the year resulted in a charge of £0.3m.

Chamberlin derives a proportion of its turnover from European customers who are invoiced in Euros. In order to reduce its exposure to foreign currency fluctuations the Group sells approximately 80% of expected Euro revenues on forward currency contracts of up to 12 months. IFRS requires that forward currency contracts are restated to the exchange rate prevailing at the balance sheet date, with the resulting unrealised profit or loss being credited/(charged) to the income statement. The Directors have therefore concluded that the clearest understanding of the trading performance of the Group can be derived from underlying earnings before foreign currency re-statement. The impact of currency adjustment is disclosed as a separate entry on the Income Statement.

The Group’s balance sheet remains strong with net equity of £11.2m. Closing borrowing increased to £1.0m (2007: £0.2m), as a consequence of high capital expenditure of £1.6m and the timing of the Easter holidays delaying a number of debtor receipts until just after the year end. At £1.0m, average daily borrowings were down year on year by £0.7m.

NUISANCE CLAIM

One of the Group’s subsidiaries, Chamberlin & Hill Castings Ltd, has operated as a foundry in Walsall since 1890. In 2000 a housing development was built on a former industrial site close to the foundry, and in 2005 a nuisance claim, as noted first in the Annual Report for the year ended 31 March 2006, was commenced by certain residents of the new development.

Foundries

Chamberlin & Hill Castings

Operating in Walsall for over a century, the Chamberlin & Hill foundry specialises in high volume smaller castings, typically around 5kg. Recognised as expert in casting complex shapes, especially in internal passages, the foundry supplies the automotive industry in applications such as turbochargers and power steering pumps, and has used these technical capabilities to enter the hydraulics and other similar markets.

On legal advice, the Group vigorously defended all aspects of the claim from its inception. However, lawyers for the claimants have been operating on 'no-win-no-fee' contracts with very significant success fees, and as a result the claimants face no financial risk in pursuing their action while the costs potentially faced by Chamberlin have escalated very rapidly.

Whilst Chamberlin plc does not admit or accept liability under this claim, the Group has engaged in protracted mediation and negotiations with both the claimants and their legal counsel, with a view to reaching an agreed settlement at a level that we believe to be in shareholders' best interests.

A provision for £897,000 has been included in the accounts to cover the Group's own legal costs together with the offers made to the claimants and their lawyers. The vast majority of the expected cost of settlement relates to payments to claimants' solicitors.

OPERATIONS

Foundries

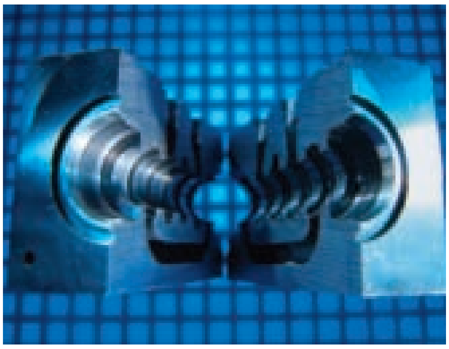
Our foundries have continued to enjoy sustained demand, and having generated increased capacity our casting sales rose 4.8% to £32.8m (2007: £31.3m). Input material costs have risen very significantly since last December and we are negotiating to pass these on to customers, so reported revenue in the foundries should grow faster in the coming year than underlying volume. The foundries operate at the most technically demanding areas of their respective markets, and are now experiencing only limited competition from low cost countries.

Chamberlin & Hill Castings

A high-volume foundry, located in Walsall, Chamberlin & Hill Castings has continued to enjoy strong demand from its automotive customers, especially for turbocharger components. Our strategy to develop a presence in the hydraulics market has made good progress, with initial orders in place to supply many of the dominant hydraulics OEMs. We have also taken the opportunity to exit a number of unattractive low volume contracts.

Demand for automotive turbochargers remains strong and the main manufacturers are forecasting continued growth. The technology is well established on diesel engines with room for further growth, but in petrol applications is generally used only for performance vehicles. Pressure on fuel efficiency and increasing emissions controls are expected to extend the use of turbocharging for efficiency gains in petrol engines, increasing volumes in the future. OEMs have committed to increase turbocharger production capacity from 2010/11 and we are well placed to benefit from growth in this market.

In our last report we noted that Chamberlin & Hill Castings had started to implement lean manufacturing techniques and we are pleased to report that excellent progress has been made, driven to a large extent by the positive engagement of the employees. Improvements in quality, productivity and workflow have been achieved, and we look forward to further gains in the coming year.



Foundries

Russell Ductile

Operating from sites in Leicester and Scunthorpe this business produces low volume castings ranging from a few kilos up to 6 tonnes. Its expertise, especially in specialist grades of cast iron, allows Russell Ductile to work with customers to create highly engineered castings for demanding applications, mainly for industrial applications such as power generation, steel production and transport. Sub-contracted machining and an in-house assembly service allow us to provide a unique service to customers which include many of the leading engineering companies of the UK and Europe.

Mark Bache

“We will continue to seek acquisitions and will ensure that we apply our rigorous approach to judging their suitability.”

Russell Ductile Castings

Supplying a wide range of highly engineered castings, Russell Ductile operates from sites in Leicester and Scunthorpe. In our 2007 annual report we commented that Russell Ductile was in recovery following integration problems under its previous management team, and we are pleased to report that the actions taken have improved performance during the year. Leicester performance has fully justified our decision to agree an extended lease for the site, and although the recovery at Scunthorpe is not yet complete, an investment of £400,000 in upgraded equipment is performing well now that the learning curve has been completed.

The two Russell Ductile foundries are winning profitable business in both UK and export markets, and although the demand for castings from the UK steel industry has declined sharply this has been offset by gains in the rail, construction equipment and heavy vehicle industries. We are particularly pleased to note that Russell Ductile has recently won contracts to supply both UK and Export customers with castings that were previously sourced from China.

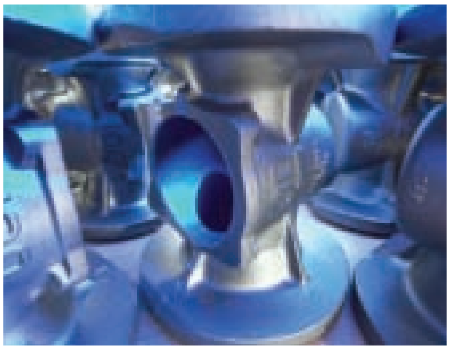
Engineering

Fred Duncombe

Supplying emergency exit equipment and other architectural hardware from its base in Cannock, Fred Duncombe has been through a transitional year as a new Managing Director has replaced a poorly performing sales force, streamlined the organisation and increased the focus and urgency in the business. We face challenges from new entrants to the exit hardware market and a potential slowdown in the construction sector, but the business is now stronger and better positioned to meet these challenges.

Petrel

In the year since the disposal of a peripheral activity, Petrel has focused on its core business of supplying lighting and controls for hazardous areas, making significant progress. Product ranges have been extended and refined, operational improvements delivered and a significant improvement in profit achieved from a lower asset base. We look forward to continued profitable growth from this business.



Engineering

Fred Duncombe

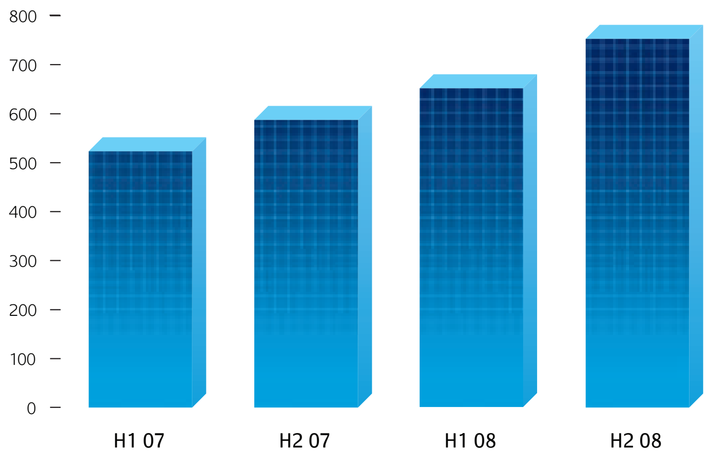
Based in Staffordshire, Fred Duncombe still manufactures its original range of architectural ironmongery and hardware, but the business is now focused on the emergency exit fittings that make up the majority of its sales. Branded EXIDOR, this product range supplies a market with both safety and security requirements and enjoys a strong position in the UK. High security and contemporary designs have been well received by customers and the business is assessing export opportunities under the leadership of a new MD.

STRATEGY

In our last report we commented at length on our strategy, summarising our thinking as the creation, by acquisition, of a broadly based engineering group with the theme "difficult things done well". This thinking remains at the heart of our strategy, and we have developed acquisition criteria against which we benchmark the opportunities that are presented.

During the year we have reviewed over 20 potential acquisitions but have not found any that meet our requirements. We will continue to seek acquisitions and will ensure that we apply our rigorous approach to judging their suitability.

Half yearly underlying PBTE (£000)



Tim Hair
Chief Executive
5 June 2008

Mark Bache
Finance Director
5 June 2008

Engineering

Petrel

Based near Birmingham Airport, Petrel is a well known niche player producing lighting and control systems for hazardous environments. Operating in a safety-critical market that includes oil refineries and petrochemical plants, Petrel supplies certified lighting equipment for use in areas with a high explosion risk.

The Directors present their Annual Report and Accounts for the year ended 31 March 2008.

Principal activities

The principal activities of the Group are the production and sale of iron castings in a wide variety of sizes and metal grades, and the manufacture and sale of light engineering products, predominantly into safety and security markets.

Review of the business

A comprehensive analysis of the development and performance of the company during the year, including its future prospects, is included in the Chairman's Statement on page 3 and Business Review on pages 4 to 7.

(a) Key Performance Indicators

Key Performance Indicators ("KPIs") used by the Group in monitoring its performance and that of its underlying businesses are set out below:

		Year to 31 March 2008	Year to 31 March 2007
Return on sales	Foundries	**3.3%**	2.2%
	Engineering	**9.4%**	2.0%
	Group	**3.3%**	0.9%
Return on net assets	Foundries	**11.1%**	8.3%
	Engineering	**19.2%**	3.5%
	Group	**11.8%**	3.0%
Sales per employee (£000)	Foundries	**87.2**	85.0
	Engineering	**81.5**	76.7
	Group	**84.7**	82.0

Calculations are based on numbers disclosed in the segmental analysis in note 3 to the accounts and are shown before exceptional items. The Group percentages are different as they incorporate shared costs. The 2007 KPIs were adversely impacted by significant non-recurring costs incurred during that year.

The above KPIs are defined as follows:

Return on sales	The ratio of the segment's trading profit to the segment's sales. The trading profit is defined in the segmental analysis in note 3.
Return on net assets	The ratio of the segment's trading profit to the segment's net Assets (as analysed in note 3).
Sales per employee	The ratio of the segment's sales to the segment's average number of employees.

(b) Employees

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

	Year to 31 March 2008	Year to 31 March 2007
Foundries	**376**	368
Engineering	**88**	103
Head office*	**8**	7
Group	**472**	478

* Includes 3 non-executive directors

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

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

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

(c) Environment

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

Specifically the Group has and will:

- comply with the requirements of all relevant environmental legislation, meeting any set emission limits and standards laid down, and use best available techniques in order to control impacts on the environment;
- maintain and develop environmental management policies and practices to continually monitor and progress the minimisation of the effects of the business on the environment. Environmental management is considered to be a key part of the business strategy at all levels within the Group;
- actively encourage the minimisation of waste from all aspects of the business and promote the benefits of recycling and re-use;
- as part of the Target 2010 climate change levy agreement, aim to meet the requirements to reduce energy use and emissions of carbon dioxide by increasing energy efficiency through all parts of the Group and to seek new opportunities of improving energy efficiency as part of the overall improvement of the business;
- consider environmental factors in respect of the growth of the business, seeking as far as is practical to reduce harmful environmental impacts and to integrate new developments into the local environment; and
- actively encourage the consideration of the environmental impact of all raw materials and services purchased by the business, and where practical to use the options with the least impact and to reduce the consumption of raw materials.

(d) Research and Development

The Group's research and development activities in the year, as in previous years, consist primarily of devising methods for achieving the casting of complex shaped and/or multi-cored products in the foundry businesses and the design and development of new products in our engineering businesses, principally hazardous area lighting and emergency exit hardware products. The Board views such activities as key to the future prosperity of the business. Expenditure expensed through the income statement is shown in note 7 and expenditure capitalised in note 14 to the accounts.

Principal risks and uncertainties

Management throughout the Group uses a common model to identify and assess the impact of risks to their businesses. The Group's risk management process is describes further in the corporate governance report on pages 13 to 15. The more significant risks and uncertainties faced by the Group are set out below:

- Approximately 15% of the Group's income is derived in Euros. In order to reduce the Group's exposure to currency fluctuations the Group sells Euros forward, as described in note 26.
- The price of many raw materials is dependent upon movements in commodity prices, especially iron. In order to reduce its exposure to movements in raw material prices the Group negotiates, where appropriate, price surcharge arrangements in to its customer contracts.
- In common with other industrial businesses the Group is subject to risks associated with the environment. The Group manages these risks by continual review of its processes to identify opportunities for improvement, whilst ensuring that the conditions of its site operating licences are met or exceeded at all times.

Dividends

The Directors recommend the payment of a final dividend of 8.0p per share payable on 28 July 2008 which, together with the interim dividend of 3.85p per share paid on 17 December 2007, totals 11.85p for the year (2007: 11.85p).

Directors

Details of the Directors of the Company during the year and their interests in the shares of the Company are shown below. The interests of the Directors in share options are shown in the Directors' Remuneration Report on pages 16 to 20.

Executive Directors

Tim Hair

Aged 48, Tim joined the Company in June 2006 and was appointed as Chief Executive in July 2006. Tim was previously Managing Director of Sterling Hydraulics Limited and his career includes senior positions in a range of advanced engineering businesses.

Mark Bache

Aged 44, Mark joined the Company in November 2006 and was appointed Finance Director in December 2006. He was previously Finance Director of Pel Group Ltd and has held senior financial positions in a number of manufacturing groups since qualifying as a Chartered Accountant with PWC in 1988.

Adam Vicary

Aged 40, Adam joined the Company in 1988 and was appointed to the Board in September 2001. He is managing director of Chamberlin & Hill Castings Ltd.

Non-Executive Directors

Tom Brown

Aged 59, Tom joined the Board in 2003 and was appointed independent Non-Executive Chairman in March 2004. He is also a Non-Executive Director of Northgate plc and a director of a number of private companies. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc.

Keith Jackson

Aged 59, Keith joined the Board in 2005. He was previously Finance Director the Tarmac Group Ltd, and was Finance Director of Cape plc between 1989 and 1996. He is Chairman of the Russian Timber Group Ltd and a director of Solana Resources and EuroChem, as well as being Chairman of a number of pension funds. Keith is Senior Independent Director and Chairman of the Audit Committee.

Alan Howarth

Aged 62, Alan was appointed as a Director in January 2007. Alan was previously a partner in Ernst & Young. He is Chairman of Highams Systems Services Group plc, CRF Inc, Adili plc as well as having non-executive interests in a number of smaller private companies. Alan is Chairman of the Remuneration Committee.

All Directors held office throughout the year.

At the Annual General Meeting ("AGM") to be held on 28 July 2008 (see the Notice of Annual General Meeting on pages 54 and 55), Tim Hair and Keith Jackson retire by rotation under Article 107 and being eligible offer themselves for re-election.

No Director had a material interest during the year in any significant contract with the Company or with any subsidiary undertaking, and no indemnities had been granted to directors in respect of liabilities or claims against Group companies.

Directors' shareholdings

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

	At 31 March 2008	At 31 March 2007
Tom Brown	**20,000**	20,000
Tim Hair	**3,000**	–
Mark Bache	**5,000**	–
Adam Vicary	**15,000**	3,000
Keith Jackson	**7,525**	5,000
Alan Howarth	**5,300**	–

There have been no changes in the interests of the Directors set out above between 1 April 2008 and 5 June 2008.

Special Business at the Annual General Meeting

Directors' authority to allot shares

As in previous years, approval will be sought for a special resolution to renew the authority given to the Directors to allot shares in the Company. Authority will also be sought from shareholders to allow the Directors to issue new shares for cash to persons other than to existing members up a maximum nominal amount of £92,971. This sum represents 371,883 ordinary shares of 25 pence each, being equivalent to 5% of the issued share capital of the Company at 5 June 2008.

Authority to purchase own shares

At the Annual General Meeting in 2007, the Board was given authority to purchase and cancel up to 741,500 of its own shares representing just under 10% of the Company's then existing issued share capital, through market purchases on The London Stock Exchange. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price which may be paid for each share is 25 pence. No purchases have been made.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The directors have resolved, if the right circumstances exist, to exercise the current authority which remains valid until the Annual General Meeting, and will continue to consider circumstances in which they may exercise this authority. They are now seeking the approval of shareholders for the renewal of this authority upon the same terms, save that the authority is now sought to allow the Company to purchase and cancel up to 743,700 of its own shares, again representing just under 10% of its issued share capital at 5 June 2008.

The authority is sought by way of a special resolution, details of which are also included at item 8 in the notice of meeting. This authority will only be exercised if the Directors, in the light of market conditions prevailing at the time, expect it to result in an increase in earnings per share, and if it is in the best interests of the shareholders generally. Account will also be taken of the effect on gearing and the overall position of the Company.

Both authorities are to be for the period commencing on the date of passing of the resolution until the next Annual General Meeting. The proposed resolutions are set out as items 7 and 8 in the notice of meeting on page 54 and 55.

Substantial shareholders

At 5 June 2008 the Company was aware of the following interests of 3% or more of the Company's share capital, other than those of directors:

	Number of shares	% of Issued Share Capital
Rights and Issues Investment Trust PLC	1,000,000	13.44%
Henderson Global Investors	570,000	7.66%
Brewin Dolphin Securities	538,000	7.23%
Discretionary Unit Fund	500,000	6.72%
Schroder Institutional UK Smaller Companies Fund	477,178	6.41%
Gartmore Investment Management	437,994	5.89%
AXA Framlington Monthly Income Unit Trust	400,000	5.38%
Chelverton Asset Management	305,000	4.10%
Perfecta Assets Ltd	275,000	3.70%
Citi Quilter	223,800	3.01%

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position and cashflows of the Company and of the Group and the financial performance of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. In forming this view the directors have reviewed budgets and other financial information. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 10. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

Charitable and political donations

Donations to UK charitable organisations amount to £nil (2007: £nil). There were no political donations in the year (2007: £nil).

Policy on payments to creditors

The Group has a variety of payment terms with its suppliers. These are either negotiated along with other contract terms or conform to standard terms applied either by the relevant Group company or by the supplier. In respect of all its suppliers it is the Group's policy to settle the terms of payment when entering a business relationship with a supplier, to ensure suppliers are aware of the terms of payment, and to abide by the terms of payment.

The Group's average creditor payment period at 31 March 2008 was 67 days (2007: 64 days) and that of the Company was 57 days (2007: 58 days).

Auditors

A resolution will be proposed to reappoint Ernst & Young LLP as auditors and to authorise the Directors to determine their remuneration.

By order of the Board

Mark Bache
Secretary
5 June 2008

Principles of good governance

When the Company transferred to AIM in November 2006 the Directors committed to maintain levels of corporate governance in line with those previously adopted by the Group. Therefore, although The Financial Services Authority's Listing Rules incorporate the Combined Code of Corporate Governance ("the Code") are not mandatory for AIM listed companies, the Group remains committed to high standards of corporate governance and has applied the principles set out in Section 1 of the Code as described below and in the Directors' Remuneration Report, in a manner appropriate to the size and nature of the Group.

The Group complied with the provisions set out in Section 1 of the Code, as stated at November 2006, throughout the year and up to the date of approval of the Annual Report and Accounts.

The Board and its committees:

(a) The Board

The Board normally comprises a non-executive chairman, two other non-executive directors and three executive directors. The Directors (including non-executive directors) have a range of experience and are of sufficient calibre to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct, which is vital to the success of the Group. The Board meets at least eight times a year and additionally when necessary. At each scheduled meeting of the Board, the Chief Executive reports on the Group's operations and the Finance Director reports on the financial position of the Group. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of Board meetings. In addition the Board has adopted standard procedures and practices whereby significant issues affecting the Group are reviewed on a regular basis.

All non-executive Directors are considered to be independent by the Board. Tom Brown is the independent non-executive chairman and Keith Jackson is the senior independent non-executive director. There is a schedule of matters which are reserved for decision by the Board and matters which are delegated to the various board committees or to the executive directors, along with monetary levels of authority for capital expenditure and other financial commitments.

Following the appointment of new Directors, an appropriately tailored induction programme is arranged and the training needs of Directors are regularly considered. If appropriate, all Directors have the authority to take independent legal advice and have direct access to the Company Secretary.

Evaluation of the performance of the Board and evaluation of the performance of individual Directors is conducted regularly on an annual cycle.

(b) Chairman and Chief Executive

The Chairman of the Company is a non-executive Director who is responsible for the running of the Board. The Board is responsible to shareholders for the overall direction and control of the Company, and the Chief Executive is responsible to the Board for management of the Company within the parameters set by the Board. There is a clear division of responsibilities between the two roles.

(c) Service contracts

See page 17 in the Directors' Remuneration Report.

(d) Supply of information

The Board is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties.

(e) Appointments to the Board

The Nominations Committee makes recommendations to the Board on the composition of the Board generally and on the balance between executive and non-executive Directors. It also makes recommendations on the appointment of new Directors and subsequent re-appointments on retirement by rotation. It comprises the non-executive Directors and the Chief Executive.

(f) Re-election of directors

All Directors submit themselves for re-election at least once every three years in accordance with the Articles of Association of the Company.

(g) Directors' remuneration

The statement of the Company's policy on executive directors' remuneration and details of directors' emoluments are contained in the Directors' Remuneration Report on pages 16 to 20.

(h) Relations with shareholders

Members of the Board hold meetings from time to time with major shareholders to discuss the Company's strategy and financial performance. These are usually held after the public announcement of results each 6 months and usually involve the Company's brokers, through whom feedback from institutional investors is obtained as necessary.

The Board uses the Annual General Meeting to communicate with all private and institutional investors and welcomes their participation.

(i) Audit Committee

The Audit Committee, which consists of the three non-executive Directors, Keith Jackson (Chairman), Tom Brown and Alan Howarth, meets at least twice per year with the external auditors in attendance when required. It has formal terms of reference and it assists the Board in ensuring that appropriate accounting policies, financial systems, internal controls and compliance procedures are in place. It also reviews the relationship between the Group and the external auditors in terms of the provision of non-audit services and ensuring that auditor independence and objectivity is maintained. The auditors have direct access to the Chairman of the Audit Committee. A formal "whistle-blowing" policy has been introduced during the year, providing direct access to the Chairman of the Audit Committee, in relation to any concerns staff may have concerning the propriety of Group operations and activities. No issues or incidents have come to light as a result of this policy.

All proposals for the provision of non-audit services by the external auditor are pre-approved by the Audit Committee or its delegated member, the overriding consideration being to ensure that the provision of non-audit services does not impact the external auditor's independence and objectivity.

(j) Remuneration Committee

The Remuneration Committee comprises the three non-executive Directors. Further details are shown in the Directors' Remuneration Report.

(k) Annual General Meeting

All Directors expect to attend the Annual General Meeting and to be available to answer questions put to them by shareholders.

(l) Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness in accordance with the guidance set out in "Internal Control: Guidance for Directors on the Combined Code", as stated at November 2006. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Code has a requirement that the directors review the effectiveness of the Group's system of internal controls. This includes internal financial controls and controls over financial, operational, compliance and risk management. The Directors of each business are required to complete an annual internal control questionnaire, which when combined with regular reviews gives the Board confidence that internal controls are effective.

The Group also operates a risk management process whereby each business identifies its key risks, the probability of those risks occurring, their potential impact, and action needed to manage them. This is carried out as a specific exercise as part of the annual budgeting process, but is also part of the day to day management process of each business. The Group has established procedures for planning and budgeting and monitoring the operational and financial performance of all businesses in the Group, as well as their compliance with applicable laws and regulations. These procedures include:

- Clear responsibilities on the part of line and financial management for good financial controls in the production of accurate and timely financial management information.

- The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties.

- Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows with regular reviews of variances from budgets by management and the Board.

- Reporting on compliance with internal financial controls and procedures by each individual business unit under the supervision of the Group Finance Director and at the year end by external auditors. Interim and Annual Reports are reviewed by the Audit Committee prior to issue.

The Board has undertaken an assessment of the need for a Group internal audit function. The Board considers that the control systems and procedures currently undertaken by the Group are adequately performed by the management and that the Group has not yet reached a size where a separate internal audit function would be an appropriate or cost effective method of ensuring compliance with Group policies. It therefore does not currently propose to introduce a Group internal audit function. This area will be kept under review as part of the Board's assessment of the Group's systems of internal control.

Summary of attendance at meetings

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings in the year	10	1	5	3
Tom Brown	10	1	5	3
Keith Jackson	10	1	5	3
Alan Howarth	10	1	5	3
Tim Hair	10	1	n/a	n/a
Mark Bache	10	n/a	n/a	n/a
Adam Vicary	10	n/a	n/a	n/a

n/a – Indicates that a director was not a member of a particular committee and did not attend its meetings.

By order of the Board

Mark Bache
Secretary
5 June 2008

Information not subject to audit

Remuneration Committee

The Remuneration Committee comprises the three non-executive Directors; Alan Howarth (Chairman), Tom Brown and Keith Jackson. The committee meets when necessary, usually at least twice per year, and is responsible for determining the remuneration packages of the executive Directors and of the Chairman.

Policy on remuneration of Executive Directors and Senior Executives

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

(a) Basic salary and benefits

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

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

(b) Annual performance related bonus scheme

In order to link executive remuneration to Group performance, executive Directors participate in bonus schemes appropriate to their objectives. For the year ended 31 March 2008 the bonus in respect of Tim Hair and Mark Bache was linked to improvements in profitability of the Group. The maximum amount of bonus payable is 50% of their basic salary.

Adam Vicary's annual bonus for the year to 31 March 2008 was dependent on the annual profit target of Chamberlin & Hill Castings Ltd. The maximum amount payable is 50% of his basic salary.

(c) Share options

An incentive to achieve longer-term improvements in shareholder value is afforded through share options. Two schemes have been in place since 1997 and two further schemes were established in 2007. The key features of the schemes are summarised as follows:

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(i) Inland Revenue approved Scheme and an unapproved scheme. Options granted under these schemes are exercisable only upon the achievement of performance targets to be determined by the Committee at the time that options are granted. Currently, performance targets are that growth in the normalised earnings per share over a period of three consecutive financial years of the company (commencing no earlier than the financial year in which the option is granted) shall exceed the growth in the Retail Prices Index for the same period by at least 6%. The Remuneration Committee considered that this performance condition was appropriate at the time the relevant options were granted, and that the use of options aligns the rewards of Directors with the long term interests of shareholders. The option price is based on the average mid-market price for the 5 trading days prior to grant.

(ii) A Performance Share Plan which grants nil cost options under an Enterprise Management Scheme ("EMI Options"). The EMI Options will normally become exercisable in three equal tranches on each of the third, fourth and fifth anniversaries of the date of grant subject to the satisfaction of a performance condition set by the Remuneration Committee of the Company. The proportion of awards that become exercisable under each tranche of the EMI Option varies on a straight line basis, from 25% to 100%, for average growth in underlying fully diluted EPS of between 5% p.a. and 10% p.a. above RPI over the period between grant and exercise dates. No options are exercisable if growth is below this range.

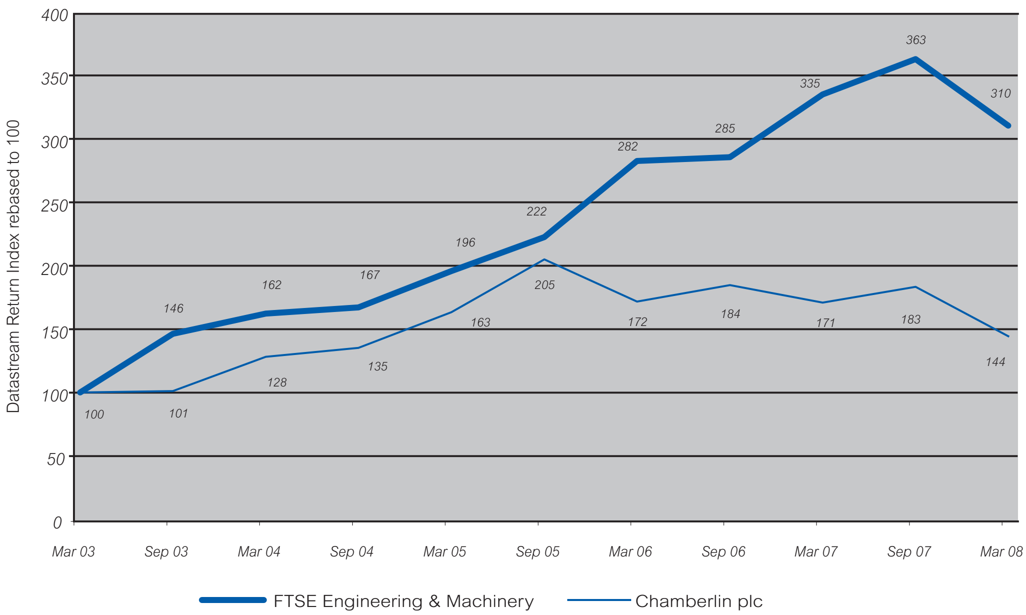
(iii) A Share Option Plan ("SOP") which issues options at the average quoted market price of the Company's shares over the three months prior to grant. The options will normally become exercisable in three equal tranches on each of the third, fourth and fifth anniversaries of the date of grant subject to the satisfaction of performance conditions set by the Remuneration Committee of the Company. The proportion of awards that become exercisable under each tranche of the SOP varies on a straight line basis, from 25% to 100%, for average growth in Total Shareholder Return of between 15% p.a. and 25% p.a. over the period between grant and exercise dates, subject to achieving a minimum average growth in underlying fully diluted EPS of 5% p.a. above RPI. No options are exercisable if growth is below this range.

Performance Graph

The following graph shows the Company's performance compared to the performance of the FTSE engineering and machinery index over a five year period, measured by total shareholder return. This index has been selected as an appropriate benchmark because it represents the market sector in which the Company operates.

Total shareholder return is calculated to show the theoretical growth in the value of a shareholding over a specified period, assuming that dividends are re-invested to purchase additional shares.

Performance graph – Total Shareholder Return



Service contracts

All executive Directors who served during the year have rolling service contracts terminable on no more than 1 year's notice.

Non-Executive Directors

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

Tom Brown has entered into a letter of engagement with the Company, and Tom Brown & Company Limited has entered into a service agreement with the Company both originally dated 12 September 2003 and updated on 27 January 2005. The letter states that the term of his appointment by the Company will be three years from the date of the letter unless terminated by either party giving to the other three months notice, or one year in the event of a change in control of the Company. At the Board Meeting held on 24 April 2008 it was resolved to extend this for a further 3 year term. The other non-executive directors have comprehensive letters of appointment but do not have formal contracts.

Information subject to audit

Directors' emoluments

	Basic salary £000	Fees £000	Benefits £000	Annual Bonus £000	Total emoluments excluding pensions **2008 £000**	Total emoluments excluding pensions 2007 £000
Executive						
Tim Hair (appointed 7 June 2006)	140	–	19	22	**181**	226
Mark Bache (appointed 1 Dec 2006)	103	–	15	17	**135**	60
Adam Vicary	92	–	11	–	**103**	108
Barrie Williams (retired 30 Sept 2006)	–	–	–	–	**–**	82
Simon Duckworth (resigned 1 Dec 2006)	–	–	–	–	**–**	70
Non-Executive						
Tom Brown*	14	43	–	–	**57**	52
Keith Jackson	23	–	–	–	**23**	23
Alan Howarth (appointed 16 Jan 2007)	23	–	–	–	**23**	6
Nick Kuenssberg* (retired 31 Dec 2006)	–	–	–	–	**–**	19
Total	**395**	**43**	**45**	**39**	**522**	646
Total 2006/2007	372	100	93	81	646	

* Includes consultancy fees in respect of services provided to the Company.

Benefits include all assessable tax benefits arising from employment by the Company, and relate mainly to the provision of company cars and private medical insurance. The figures above represent emoluments earned as Directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses which are paid in the year following that in which they are earned. The emoluments of other key management personnel are disclosed in note 28.

Directors' pensions

No retirement benefits accrued during the year to Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2007: one Director) which is a defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	**Contribution paid 2008 £000**	Contribution paid 2007 £000
T Hair	10%	**14**	11
M Bache	8%	**8**	3
A Vicary	8%	**7**	7
S C Duckworth (Resigned 1 Dec 2006)	15%	**–**	11

No other pension contributions were paid in respect of Directors other than as disclosed above.

Directors' options

	31 March 2007	Granted in year	Exercised in year	Lapsed or surrendered in year	31 March 2008	Option exercise price	Exercisable between
Tim Hair	56,100	–	–	–	56,100	215.5p	22.06.2009 - 21.06.2013
	67,427	–	–	–	67,427	192.8p	02.07.2010 - 27.03.2017
	67,427	–	–	–	67,427	192.8p	02.07.2011 - 27.03.2017
	67,427	–	–	–	67,427	192.8p	02.07.2012 - 27.03.2017
	16,665	–	–	–	16,665	nil	27.03.2010 - 27.03.2017
	16,665	–	–	–	16,665	nil	27.03.2011 - 27.03.2017
	16,665	–	–	–	16,665	nil	27.03.2012 - 27.03.2017
Mark Bache	34,578	–	–	–	34,578	192.8p	02.07.2010 - 27.03.2017
	34,578	–	–	–	34,578	192.8p	02.07.2011 - 27.03.2017
	34,578	–	–	–	34,578	192.8p	02.07.2012 - 27.03.2017
	12,819	–	–	–	12,819	nil	27.03.2010 - 27.03.2017
	12,819	–	–	–	12,819	nil	27.03.2011 - 27.03.2017
	12,819	–	–	–	12,819	nil	27.03.2012 - 27.03.2017
Adam Vicary	16,000	–	–	–	16,000	185p	16.11.2003 - 15.11.2010
	4,000	–	4,000	–	–	185p	16.11.2003 - 15.11.2007
	8,000	–	8,000	–	–	157.5p	01.08.2005 - 31.07.2009
	10,000	–	–	–	10,000	155.5p	04.06.2008 - 03.06.2011
	25,000	–	–	–	25,000	231.5p	13.07.2008 - 12.07.2012
	11,281	–	–	–	11,281	nil	27.03.2010 - 27.03.2017
	11,281	–	–	–	11,281	nil	27.03.2011 - 27.03.2017
	11,281	–	–	–	11,281	nil	27.03.2012 - 27.03.2017
	547,410	–	12,000	–	535,410		

Option grants are exercisable only upon the achievement of the performance targets explained on pages 16 and 17.

The calculated cost of share based payments relating to share options granted since November 2002, as shown in note 20 to the accounts, relates to options granted to Tim Hair, Mark Bache, Adam Vicary and Simon Duckworth as follows:

	2008	2007
	£000	£000
T Hair	16	5
M Bache	11	1
A Vicary	–	4
S Duckworth	–	(16)

No consideration is payable for the grant of an option, which is exercisable at a price to be determined by the Remuneration Committee at the time when the option is granted as detailed above.

The aggregate gain on exercise of share options, made by Adam Vicary in the year, was £3,700. No other Directors exercised options during the year.

There have been no changes in the interests set out above between 1 April 2008 and 5 June 2008.

The mid-market price of the shares at 31 March 2008 was 158.5p and ranged between 158.5p and 213p during the year.

On behalf of the Board

Alan Howarth
Chairman, Remuneration Committee
5 June 2008

to the members of Chamberlin plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Chamberlin plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for the preparation of the Directors' Remuneration Report, which they have chosen to prepare.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). The Company has also instructed us to audit the section of the Directors' Remuneration Report that has been described as audited.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed. We report to you our opinion as to whether the section of the Directors' Remuneration Report that has been described as being audited has been properly prepared in accordance with the basis of preparation described therein.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the Chairman's Statement, the Business review and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements; and
- the section of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the basis of preparation described therein.

Ernst & Young LLP
Registered Auditor
Birmingham
5 June 2008

Consolidated Income Statement

for the year ended 31 March 2008

	Notes	Year ended 31 March 2008 Before exceptional items £000	Exceptional items (see note 12) £000	Total £000	Year ended 31 March 2007 Before exceptional items £000	Exceptional items (see note 12) £000	Total £000
Revenue	3	**39,967**	**–**	**39,967**	39,188	–	39,188
Cost of sales		**(33,134)**	**–**	**(33,134)**	(33,007)	–	(33,007)
Gross profit		**6,833**	**–**	**6,833**	6,181	–	6,181
Other operating (expense)/income	4	**(5,510)**	**(494)**	**(6,004)**	(5,856)	(1,141)	(6,997)
Operating profit/(loss) from continuing operations		**1,323**	**(494)**	**829**	325	(1,141)	(816)
Finance revenue	6	**149**	**–**	**149**	90	–	90
Finance costs	6	**(68)**	**–**	**(68)**	(112)	–	(112)
Profit/(loss) from continuing operations before tax and unrealised foreign currency (loss)/gain	7	**1,404**	**(494)**	**910**	303	(1,141)	(838)
Unrealised foreign currency (loss)/gain		**(325)**		**(325)**	7	–	7
Profit/(loss) from continuing operations before tax		**1,079**	**(494)**	**585**	310	(1,141)	(831)
Tax (expense)/credit	8	**(181)**	**190**	**9**	292	216	508
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent company		**898**	**(304)**	**594**	602	(925)	(323)
Earnings/(loss) per share:							
basic	11			**8.0p**			(4.4)p
underlying	11	**15.1p**			8.1p		
diluted	11			**7.9p**			(4.4)p
diluted underlying	11	**14.9p**			8.0p		

Consolidated Statement of Recognised Income and Expense

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Actuarial gains/(losses) on pension assets and liabilities	23	**729**	(2,132)
Deferred tax (charge)/credit on actuarial gains/(losses)		**(204)**	640
Net income/(expense) recognised directly in equity		**525**	(1,492)
Profit/(loss) for the year		**594**	(323)
Total recognised income and expense for the year attributable to equity holders of the parent company		**1,119**	(1,815)

Parent Company Statement of Recognised Income and Expense

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Actuarial gains/(losses) on pension assets and liabilities	23	**729**	(2,132)
Deferred tax (charge)/credit on actuarial gains/(losses)		**(204)**	640
Net income/(expense) recognised directly in equity		**525**	(1,492)
Profit/(loss) for the year		**1,253**	(1,025)
Total recognised income and expense for the year attributable to equity holders of the parent company		**1,778**	(2,517)

Consolidated Balance Sheet

at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Non-current assets			
Property, plant and equipment	13	**8,349**	7,954
Intangible assets	14	**379**	453
Deferred tax asset	18	**692**	975
		9,420	9,382
Current assets			
Inventories	15	**4,616**	4,746
Trade and other receivables	16	**8,719**	7,370
Income taxes receivable	16	**5**	70
Assets held for resale		**–**	219
		13,340	12,405
Total assets		**22,760**	21,787
Current liabilities			
Financial liabilities	17	**1,031**	209
Trade and other payables	17	**8,811**	7,738
		9,842	7,947
Non-current liabilities			
Deferred tax	18	**594**	663
Defined benefit pension scheme deficit	23	**1,078**	2,235
		1,672	2,898
Total liabilities		**11,514**	10,845
Capital and reserves			
Share capital	19	**1,859**	1,854
Share premium	21	**862**	828
Capital redemption reserve	21	**109**	109
Retained earnings	21	**8,416**	8,151
Total equity		**11,246**	10,942
Total equity and liabilities		**22,760**	21,787

Tim Hair
Mark Bache } **Directors**

The accounts were approved by the Board of Directors on 5 June 2008

Parent Company Balance Sheet

at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Non-current assets			
Property, plant and equipment	13	**1,112**	1,112
Intangible assets	14	**6**	7
Investments	22	**7,159**	7,159
Deferred tax asset	18	**369**	881
		8,646	9,159
Current assets			
Trade and other receivables	16	**36**	52
Income taxes receivable		**469**	–
Amounts due from subsidiary undertakings	16	**4,096**	3,874
		4,601	3,926
Total assets		**13,247**	13,085
Current liabilities			
Financial liabilities	17	**1,275**	1,415
Trade and other payables	17	**565**	183
Amounts due to subsidiary undertakings	17	**2,701**	2,467
		4,541	4,065
Non-current liabilities			
Amounts due to subsidiary companies	18	**66**	66
Deferred tax	18	**377**	497
Defined benefit pension scheme deficit	23	**1,078**	2,235
		1,521	2,798
Total liabilities		**6,062**	6,863
Capital and reserves			
Share capital	19	**1,859**	1,854
Share premium	21	**862**	828
Capital redemption reserve	21	**109**	109
Retained earnings	21	**4,355**	3,431
Total equity		**7,185**	6,222
		13,247	13,085

Tim Hair

Mark Bache

Directors

The accounts were approved by the Board of Directors on 5 June 2008

Consolidated Cash Flow Statement

for the year ended 31 March 2008

Operating activities	Notes	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Profit/(loss) for the year		**594**	(323)
Adjustments to reconcile profit/(loss) for the year to net cash inflow from operating activities:			
Taxation		**(9)**	(508)
Net finance (income)/costs		**(81)**	22
Depreciation of property, plant and equipment	13	**1,104**	1,166
Amortisation of software	14	**42**	23
Amortisation of development costs	14	**46**	34
(Profit)/loss on disposal of property, plant and equipment	7	**(471)**	373
Share based payments	20	**27**	(6)
Difference between pension contributions paid and amounts recognised in the Income Statement		**(428)**	(384)
Decrease in inventories		**130**	562
(Increase)/decrease in receivables		**(1,349)**	572
Increase in payables		**414**	237
Movement in provisions		**660**	–
Cash generated from operations		**679**	1,768
UK Corporation Tax received/(paid)		**84**	(237)
Net cash flow from operating activities		**763**	1,531
Investing activities			
Purchase of property, plant and equipment	13	**(1,579)**	(1,625)
Purchase of software	14	**(14)**	(27)
Disposal of plant and equipment		**769**	119
Net cash flow from investing activities		**(824)**	(1,533)
Financing activities			
Interest paid	6	**(68)**	(111)
Pension element of finance income/(costs)	6	**149**	90
Equity dividends paid	9	**(881)**	(878)
Issue of shares (including premium)	21	**39**	99
Net cash flow from financing activities		**(761)**	(800)
Net (decrease) in cash and cash equivalents		**(822)**	(802)
Cash and cash equivalents at the start of the year		**(209)**	593
Cash and cash equivalents at the end of the year		**(1,031)**	(209)
Cash and cash equivalents comprise:			
Financial liabilities	17	**(1,031)**	(209)
		(1,031)	(209)

Parent Company Cash Flow Statement

for the year ended 31 March 2008

Operating activities	Notes	**Year ended 31 March 2008 £000**	Year ended 31 March 2007 £000
Profit/(loss) for the year		**1,253**	(847)
Adjustments to reconcile profit/(loss) for the year to net cash inflow from operating activities:			
Taxation		**(289)**	–
Net finance (income)/costs		**(27)**	22
Depreciation of property, plant and equipment	13	**54**	54
Amortisation of software	14	**2**	3
Profit on disposal of property, plant and equipment		**–**	(2)
Share based payments	20	**27**	(6)
Difference between pension contributions paid and amounts recognised in the Income Statement		**(428)**	(384)
Increase in receivables		**(206)**	1,150
Increase in payables		**616**	1,054
Cash generated from operations		**1,002**	1,044
UK Corporation Tax received/(paid)		**7**	–
Group relief surrendered for nil consideration		**–**	(289)
Net cash flow from operating activities		**1,009**	755
Investing activities			
Purchase of property, plant and equipment	13	**(79)**	(96)
Purchase of software	14	**(1)**	–
Disposal of plant and equipment		**25**	17
Net cash flow from investing activities		**(55)**	(79)
Financing activities			
Interest paid		**(121)**	(112)
Pension element of finance income		**149**	90
Equity dividends paid	9	**(881)**	(878)
Issue of shares (including premium)	21	**39**	99
Net cash flow from financing activities		**(814)**	(801)
Net increase/(decrease) in cash and cash equivalents		**140**	(125)
Cash and cash equivalents at the start of the year		**(1,415)**	(1,290)
Cash and cash equivalents at the end of the year		**(1,275)**	(1,415)
Cash and cash equivalents comprise:			
Financial liabilities	17	**(1,275)**	(1,415)
		(1,275)	(1,415)

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Group's and Company's financial statements of Chamberlin plc (the 'Company') for the year ended 31 March 2008 were authorised for issue by the Board of the Directors on 5 June 2008 and the balance sheets were signed on the Board's behalf by Tim Hair and Mark Bache. The Company is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on AIM within the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985.

The principal accounting policies adopted by the Group and by the Company are set out in note 2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

Basis of consolidation

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

New standards adopted

The Group has adopted International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) for the first time in these financial statements. This is a disclosure standard only which has had no impact on the Group's results or net assets. The new disclosures are included throughout the financial statements and comparative information has been revised where necessary.

Additionally, the Group has adopted IAS 1 Amendment – Presentation of Financial Statement Capital Disclosures which requires the Group to make new disclosures to enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the capital management section of note 26.

Other new accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), becoming effective during the year, have not had a material impact on the Group's financial statements.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements. They have not been adopted early by the Group and the Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's reported income or net assets in the period of adoption.

International Accounting Standards	Effective date
IFRS 3 Revised – Business Combinations	1 July 2009
IFRS 8 – Operating segments	1 January 2009
IAS 23 – Borrowing Costs (Amendment)	1 January 2009
IAS 27 Revised – Consolidation and Separate Financial Statements	1 July 2009
International Financial Reporting Interpretive Committee (IFRIC)	
IFRIC 13 – Customer Loyalty Programmes	1 July 2009

Foreign currency translation

The functional and presentation currency of Chamberlin plc is sterling (£).

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Any resulting exchange differences are taken to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. When there is a partial disposal of a cash generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

Property, plant and equipment

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

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

Freehold buildings and long leasehold property	–	over expected useful life (not exceeding 50 years)
Short leasehold property	–	over the term of the lease
Plant and other equipment	–	2 to 10 years
Motor vehicles	–	4 years

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software, intellectual property rights and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software and other intangible assets, such as capitalised development expenditure under IAS 38, are amortised over their useful lives on a straight line basis. Estimated useful life is the shorter of legal duration and economic useful life, which represents the directors' best estimate of the period over which the asset may be used to generate significant economic benefits to the Group. Software has an estimated useful life of 4 years.

Intangible assets are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Clearly defined and identifiable development projects in which the technical degree of exploitation, adequacy of resources and potential market or development possibility in the undertaking can be clearly demonstrated, and where it is the intention to produce, market or execute the project, are capitalised when a correlation exists between the costs incurred and future benefits. Costs not meeting such criteria are expensed as incurred. Amortisation is applied as set out for intangible assets above, the useful life being determined for individual development projects. For projects capitalised to date a useful life of 5 years was considered appropriate.

The Company's investments in subsidiaries, joint ventures and associates

In its separate financial statements the Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

Inventories

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

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

Where considered appropriate, for example in valuing foundry products, cost of finished goods and work in progress is arrived at from selling price less the calculated margin on the products concerned. This method is also utilised within the engineering companies in the absence of detailed individual product costing information.

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

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less any provision for bad debts. A provision for impairment, in respect of trade receivables, is made when there is objective evidence (such as the probable insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amount due under the original terms of the invoice. The carrying amount of the receivable is reduced through a provision and impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging

The Group is exposed to foreign exchange risk on income streams denominated in foreign currencies. In order to reduce the Group's exposure to currency fluctuations the Group sells a proportion of expected Euro revenues on forward contracts. No hedge accounting is presently applied and that all gains and losses on commercial hedges that are measured at fair value are taken to the income statement.

Employee benefits

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

Pensions and other post-employment benefits

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

The Group also has a closed defined benefit pension scheme. The scheme assets are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit method. The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the income statement. The cost of making improvements to pension and other post-retirement benefits is recognised in the income statement on a straight line basis over the period during which the increase in benefits vests. To the extent that any improvement in benefits vests immediately, the cost is recognised immediately. These costs are recognised as an expense.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as finance revenue or cost.

Actuarial gains and losses may result from: differences between the expected return and the actual return on plan assets; differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year; or changes in the actuarial assumptions used in the valuation of the plan liabilities. Actuarial gains and losses, and taxation thereon, are recognised in full in the period in which they occur, in the statement of recognised income and expense.

For defined contribution plans, contributions payable for the year are charged to the income statement as an operating expense.

Income taxes

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

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

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

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

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Dividends

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

Borrowing costs

Borrowing costs are recognised as interest payable in the income statement in the period in which they are incurred.

Share based payments

The Group grants equity-settled share-based payments to certain directors and employees in the form of share options. Equity settled share-based payments are measured at fair value at the date of grant using the Black-Scholes pricing model. The fair value is then charged to the income statement over the vesting period of the options. In valuing equity settled payments, no account is taken of vesting conditions other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated taking into account the extent to which the vesting period has expired and the directors' best estimate of the achievement or otherwise of relevant conditions and the number of shares expected to ultimately vest. The movement since the previous balance sheet date is recognised in the income statement.

The values for the expected life of the options and the expected volatility of the share price used in the calculation model are based on the Directors' best estimates, taking into account conditions for exercise, historic data and behavioural considerations.

Operating profit

Operating profit as referred to in the income statement is defined as being profit generated from normal trading activities before finance costs and revenues, and before taxation.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those items of income and expenditure which, because of the nature and infrequency of the events giving rise to them and their size in relation to the operating results of the Group, merit separate presentation to allow shareholders better to understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to allow assessment of trends in financial performance.

Use of estimates

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

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

- Impairment of Goodwill – the Group determines whether goodwill is impaired on an annual basis or more frequently if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate.
- Defined benefit scheme pension liabilities – the cost of the closed defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

3 SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating divisions: Foundries and Engineering, which are the primary segments for reporting purposes. The secondary segmental format is geographical.

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

The Engineering segment provides manufactured and imported products to distributors and end-users. The products fall into the categories of door hardware, hazardous area lighting and control gear.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's customers. The Group's assets and costs incurred are all located within the United Kingdom.

(i) By business segment

	Foundries		Engineering		Total	
	2008	2007	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000	**£000**	£000
Revenue						
Sales	**32,800**	31,287	**7,167**	7,901	**39,967**	39,188
Profit						
Trading profit	**1,079**	681	**671**	157	**1,750**	831
Shared costs					**(427)**	(506)
Unrealised foreign exchange (loss)/gain					**(325)**	7
Exceptional items					**(494)**	(1,141)
Operating profit/(loss)					**504**	(809)
Net finance income/(costs)					**81**	(22)
Profit/(loss) before tax					**585**	(831)
Tax credit					**9**	508
Profit/(loss) for the year					**594**	(323)
Net assets						
Segmental assets	**16,407**	14,665	**5,592**	5,788	**21,999**	20,453
Segmental liabilities	**(6,717)**	(6,405)	**(2,097)**	(1,332)	**(8,814)**	(7,737)
Segmental net assets	**9,690**	8,260	**3,495**	4,456	**13,185**	12,716
Unallocated net liabilities					**(1,940)**	(1,774)
Total net assets					**11,245**	10,942
Movements in fixed assets						
Capital additions						
Property, plant and equipment (note 13)	**1,499**	1,345	**80**	280	**1,579**	1,625
Software (note 14)	**14**	27	**–**	–	**14**	27
Depreciation and amortisation						
Property, plant and equipment (note 13)	**(884)**	(925)	**(220)**	(241)	**(1,104)**	(1,166)
Software (note 14)	**(38)**	(17)	**(3)**	(6)	**(41)**	(23)
Development costs (note 14)	**(26)**	(19)	**(20)**	(15)	**(46)**	(34)

3 SEGMENTAL ANALYSIS (continued)

Unallocated net liabilities comprise cash/overdraft, taxation, pension provisions, deferred tax balances and head office fixed assets.

(ii) By geographical segment

	2008	2007
	£000	£000
Revenue by location of customer		
United Kingdom	**32,050**	30,680
Rest of Europe	**6,508**	7,170
Other countries	**1,409**	1,338
	39,967	39,188

4 OTHER OPERATING EXPENSES

	2008	2007
	£000	£000
Distribution costs	**1,389**	1,414
Administration and selling expenses	**4,121**	4,435
Operating expenses before exceptional items	**5,510**	5,849
Exceptional items (note 12)	**494**	1,141
Operating expenses	**6,004**	6,990

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Group during the year was:	**2008**	2007
	Number	Number
Management and administration	**85**	84
Production	**387**	394
Total employees	**472**	478

The aggregate employment costs of these employees including severance costs in wages and salaries of £54,000 (2007: £224,000) were as follows:-

	2008	2007
	£000	£000
Wages and salaries	**12,259**	12,715
Social security costs	**1,329**	1,354
Other pension costs	**473**	489
Share based payment expense/(credit)	**27**	(6)
	14,088	14,552

Directors' emoluments summary	**2008**	2007
	£000	£000
Directors' emoluments	**522**	646
Aggregate gains made by directors on exercise of options	**4**	16
Share based payment charge of options granted to directors (see note 20)	**27**	10
Credit for surrendered options previously granted to directors	**–**	(16)
Number of directors accruing benefits under:	**Number**	Number
Defined contribution pension schemes	**3**	3

Directors' emoluments are analysed in detail in the Directors' Remuneration Report on pages 16 to 22.

6 FINANCE COSTS AND FINANCE REVENUE

	2008 £000	2007 £000
Finance costs		
Bank overdraft interest payable	**(68)**	(112)
	(68)	(112)
Finance revenue		
Finance revenue from pensions (see note 23)	**149**	90
	149	90

7 OPERATING PROFIT

This is stated after charging/(crediting):	2008 £000	2007 £000
(Profit)/loss on disposal of fixed assets (including £468,000 within exceptional items – see note 12)	**(471)**	373
Depreciation of owned assets	**1,104**	1,166
Amortisation of software	**41**	23
Net foreign currency (gain)/loss	**(31)**	65
Cost of inventories recognised as an expense	**15,252**	14,567
Exceptional severance payments and related costs (note 12)	**–**	224
Stock written down	**97**	560
Reversal of prior year inventory provisions	**(7)**	–
Auditors' remuneration:		
Group audit fees	**25**	20
Audit fees in respect of subsidiaries	**45**	40
Interim review fees	**5**	2
Taxation advice fees	**8**	8
Corporate finance fees	**–**	36
Research and development expenditure (excluding capitalised development; note 14)	**81**	42
Rentals under operating leases:		
Hire of plant and equipment	**108**	92
Other	**317**	328

8 TAX (CREDIT)/EXPENSE REPORTED IN THE CONSOLIDATED INCOME STATEMENT

	2008 £000	2007 £000
Current tax:		
U.K. Corporation tax at 30% (2007: 30%) based on taxable profit for the year	**–**	–
Amounts over provided in prior years	**(20)**	(70)
	(20)	(70)
Deferred Taxation:		
Movement in the year (note 18)	**385**	(847)
Amounts over provided in prior years	**(170)**	(230)
Less element of movement shown in the Statement of Recognised Income and Expense	**(204)**	639
	11	(438)
Tax expense/(credit) reported in the consolidated income statement	**(9)**	(508)

On 21 March 2007 the UK Chancellor of the Exchequer announced a number of tax reforms. The key change to Corporation tax that will apply to the Group is the reduction in the main Corporate tax rate, from 30% to 28%, effective from 1 April 2008. This has resulted in an increase in the net assets in the consolidated balance sheet of £21,000.

8 TAX (CREDIT)/EXPENSE REPORTED IN THE CONSOLIDATED INCOME STATEMENT (continued)

	2008 £000	2007 £000
Reconciliation of total tax charge		
Profit/(loss) on ordinary activities before tax	**585**	(831)
Corporation tax expense/(credit) at standard rate of 30% (2007: 30%) on profit before tax	**175**	(249)
Adjusted by the effects of:-		
(Income)/expenses not deductible for tax purposes	**(15)**	41
Timing differences		
– change of taxation rate	**21**	–
Amounts over provided in prior years		
– corporation tax	**(20)**	(70)
– deferred tax	**(170)**	(230)
Total tax expense/(credit) reported in the income statement	**(9)**	(508)

9 DIVIDENDS PAID AND PROPOSED

	2008 £000	2007 £000
Paid equity dividends on ordinary shares		
2007 final dividend of 8.00p per share (2006: 8.00p per share)	**595**	593
2008 interim dividend of 3.85p per share (2007: 3.85p per share)	**286**	285
	881	878
Proposed final dividend subject to shareholder approval		
2008 final dividend of 8.00p per share (2007: 8.00p per share) (not recognised as a liability at 31 March 2008)	**595**	593

10 PARENT COMPANY TRANSFER FROM RESERVES

The profit/(loss) dealt with in the accounts of the parent company was £1,253,000 (2007: loss of £1,025,000).

After dividends, the profit/(deficit) transferred to reserves was £373,000 (2007: deficit of £1,903,000).

Net income in respect of the funding of the closed defined benefit pension scheme of £525,000 was transferred from reserves (2007: £1,492,000 transferred from reserves).

11 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders and the weighted average number of ordinary shares in issue. In calculating the diluted earnings per share, adjustment has been made for the dilutive effect of outstanding share options. Underlying earnings per share, which excludes operating exceptionals and unrealised foreign exchanges movements, as analysed below, has also been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group.

Operating exceptionals are detailed in note 12.

	2008	2007
	£000	£000
Earnings/(loss) for basic earnings per share	**594**	(323)
Operating exceptionals	**494**	1,141
Taxation effect of operating exceptionals	**(190)**	(216)
Unrealised foreign currency loss/(gain)	**325**	(7)
Taxation effect of unrealised foreign currency loss/(gain)	**(99)**	2
Earnings for underlying earnings per share	**1,124**	597

	2008	2007
	000	000
Weighted average number of ordinary shares	**7,432**	7,402
Adjustment to reflect shares under options	**132**	144
Weighted average number of ordinary shares – fully diluted	**7,564**	7,546

12 EXCEPTIONAL ITEMS

	2008	2007
	£000	£000
Severance costs	–	(224)
Other closure costs	–	(495)
Profit/(loss) on disposal of property, plant and equipment	**468**	(302)
Costs of transfer to AIM	–	(120)
Legal claim and associated costs	**(897)**	–
Inventory write down	**(65)**	–
	(494)	(1,141)

On 4 April 2007 the Group disposed of a surplus property at Fred Duncombe Ltd for proceeds of £705,000. The net book value of the property was £219,000 and the costs of disposal amounted to £18,000.

The legal claim and associated costs relate to a provision against the alleged nuisance in relation to the operation of the Walsall foundry, which has been noted in the last two years accounts. The Group's own legal expenses together with a provision for the offers made to the claimants and their lawyers are included in this amount. Further information in respect of this matter is included in the business review on page 4.

The inventory write down relates to items that had been incorrectly valued in Russell Ductile Castings Limited as at 31 March 2007.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2006	4,955	22,488	533	27,976
Additions	426	988	211	1,625
Disposals	(102)	(479)	(102)	(683)
Transfer to assets held for resale	(250)	–	–	(250)
At 31 March 2007	5,029	22,997	642	28,668
Additions	127	1,302	150	1,579
Disposals	–	(1,240)	(163)	(1,403)
At 31 March 2008	**5,156**	**23,059**	**629**	**28,844**
Depreciation				
At 1 April 2006	1,112	18,367	291	19,770
Charge for year	111	942	113	1,166
Disposals	–	(120)	(71)	(191)
Transfer to assets held for resale	(31)	–	–	(31)
At 31 March 2007	1,192	19,189	333	20,714
Charge for year	120	865	119	1,104
Disposals	–	(1,224)	(99)	(1,323)
At 31 March 2008	**1,312**	**18,830**	**353**	**20,495**
Net book value				
At 31 March 2008	**3,844**	**4,229**	**276**	**8,349**
At 31 March 2007	3,837	3,808	309	7,954

Net book value of land and buildings comprises:-	**2008 £000**	2007 £000
Freehold	**3,831**	3,811
Short leasehold (leasehold improvements)	**13**	26
	3,844	3,837

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2006	1,635	28	86	1,749
Additions	–	9	87	96
Disposals – external	–	(1)	(55)	(56)
At 31 March 2007	1,635	36	118	1,789
Additions	35	25	19	79
Disposals – external	–	–	(46)	(46)
At 31 March 2008	**1,670**	**61**	**91**	**1,822**

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Depreciation				
At 1 April 2006	591	25	48	664
Charge for year	30	3	21	54
Disposals – external	–	(1)	(40)	(41)
At 31 March 2007	621	27	29	677
Charge for year	30	5	19	54
Disposals – external	–	–	(21)	(21)
At 31 March 2008	**651**	**32**	**27**	**710**
Net book value				
At 31 March 2008	**1,019**	**29**	**64**	**1,112**
At 31 March 2007	1,014	9	89	1,112

	Group £000	Company £000
Freehold land included above not subject to depreciation amounted to:		
2008	**743**	**743**
2007	708	708

14 INTANGIBLE ASSETS

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Goodwill	**201**	201	**–**	–
Software	**29**	57	**6**	7
Development costs	**149**	195	**–**	–
	379	453	**6**	7

Goodwill

	£000
Cost	
At 1 April 2006	201
Additions	–
At 31 March 2007	201
Additions	–
At 31 March 2008	**201**
Impairment	
At 1 April 2006	–
Charge for the year	–
At 31 March 2007	–
Charge for the year	–
At 31 March 2008	**–**
Net Book Value	
At 31 March 2008	**201**
At 31 March 2007	201

14 INTANGIBLE ASSETS (continued)

Goodwill arose initially on the acquisition of the Webb Lloyd business which now forms part of Fred Duncombe Limited, within the Engineering Segment.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In these calculations, the recoverable amounts from the Webb Lloyd Cash Generating Unit are determined from value in use calculations. The key assumptions are as follow:

– Future cashflows are derived from the Group's three year plan, extrapolated for a further two years at 5% annual growth

– Cashflows are discounted at a rate of 10%.

Following a review of the goodwill figure stated in the accounts, and the estimated level of cash expected to be generated by the Webb Lloyd business, the Directors believe there is no impairment. The Directors believe that no reasonably probable change in the key assumptions would lead to impairment of goodwill.

Software	Group £000	Company £000
Cost		
At 1 April 2006	295	12
Additions	27	–
At 31 March 2007	322	12
Additions	14	1
At 31 March 2008	**336**	**13**
Amortisation/impairment		
At 1 April 2006	242	2
Charge for the year	23	3
At 31 March 2007	265	5
Charge for year	42	2
At 31 March 2008	**307**	**7**
Net Book Value		
At 31 March 2008	**29**	**6**
At 31 March 2007	57	7

Software has an estimated useful life of between 3 and 7 years.

Development costs capitalised	Group £000	Company £000
Cost		
At 1 April 2006	229	–
Additions	–	–
At 31 March 2007	229	–
Additions	–	–
At 31 March 2008	**229**	**–**
Amortisation/impairment		
At 1 April 2006	–	–
Charge for year	34	–
At 31 March 2007	34	–
Charge for year	46	–
At 31 March 2008	**80**	**–**
Net Book Value		
At 31 March 2008	**149**	**–**
At 31 March 2007	195	–

Development costs capitalised relate to specific major projects which result in an asset being created which is then amortised over the primary income generating period of the associated product. These are amortised over a life of 5 years from the commencement of commercial sales.

15 INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Raw materials	**1,760**	1,566	**–**	–
Work in progress	**1,352**	1,627	**–**	–
Finished goods	**1,504**	1,553	**–**	–
	4,616	4,746	**–**	–

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade receivables	**8,048**	7,151	**–**	–
Amounts due from subsidiary undertakings	–	–	**4,096**	3,874
Other receivables	**161**	5	**7**	–
Prepayments	**510**	214	**29**	52
	8,719	7,370	**4,132**	3,926

Trade receivables are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Sterling	**6,855**	5,668	**–**	–
Euro	**1,193**	1,483	**–**	–
	8,048	7,151	**–**	–

Out of the carrying amount of trade receivables of £8,048,000 (2007: £7,151,000), £1,795,000 (2007: £1,469,000) is against five major customers.

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days and are shown net of a provision for impairment. As at 31 March 2008 trade receivables at a nominal value of £171,000 (2007: £207,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
At 1 April	**207**	137	**–**	–
Charge for year	**76**	253	**–**	–
Amounts written off	**(112)**	(183)	**–**	–
Unused provisions released	**–**	–	**–**	–
At 31 March	**171**	207	**–**	–

As at 31 March 2008, the analysis of trade receivables that were past due but not impaired is as follows:

		Neither past	**Past due but not impaired**				
	Total	**due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2008	**8,048**	**5,646**	**1,670**	**390**	**132**	**83**	**127**
2007	7,151	5,695	1,123	154	29	29	121

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, otherwise historical information relating to the counterparty default rates is used.

16 TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Debtors where external credit ratings have been sought	**1,353**	1,235	**–**	–
Debtors where only internal credit assessments have been made	**6,695**	5,916	**–**	–
	8,048	7,151	**–**	–

Of the balance in respect of counterparties with internal ratings nil% (2007: nil%) is in respect of new customers, 100% (2007: 100%) existing customers with no history of defaults.

Amounts due from subsidiary companies are interest free and repayable on demand.

Income taxes receivable

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
UK corporation tax	**5**	70	**469**	–

17 CURRENT LIABILITIES

	Group		Company	
Financial liabilities	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000
Bank overdraft	**1,031**	209	**1,275**	1,415

The overdraft is held with HSBC Bank plc as part of the Group facility of £4,500,000, is unsecured and repayable on demand. Interest is payable at 1% (2007: 1%) over base rate.

	Group		Company	
Trade and other payables	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000
Trade creditors	**5,478**	5,124	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**2,701**	2,467
Other taxation and social security	**746**	746	**17**	14
Other creditors	**765**	482	**426**	–
Accruals	**682**	1,381	**122**	169
Provisions	**660**	–	**–**	–
Fair value of derivative forward contracts	**480**	5	**–**	–
	8,811	7,738	**3,266**	2,650

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

Amounts due to subsidiary companies are interest free and repayable by agreement with the Parent Company.

	Group		Company	
Income taxes payable	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000
UK corporation tax	**–**	–	**–**	–

18 NON CURRENT LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Intra-group balances	**–**	–	**66**	66

The amount owed by the Company to non-trading subsidiary undertakings is non-interest bearing.

Provisions for liabilities

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Deferred taxation	**594**	663	**377**	497

Deferred tax liabilities

	2008		2007	
	Amount not provided £000	**Amount provided £000**	Amount not provided £000	Amount provided £000
Group liabilities				
Temporary differences re capital allowances	**–**	**59**	–	188
Capital gains rolled over	**–**	**535**	–	475
	–	**594**	–	663

	2008		2007	
	Amount not provided £000	**Amount provided £000**	Amount not provided £000	Amount provided £000
Company liabilities				
Temporary differences re capital allowances	**–**	**11**	–	105
Capital gains rolled over	**–**	**366**	–	392
	–	**377**	–	497

Deferred tax assets

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Temporary differences re capital allowances	**214**	94	**–**	–
Temporary differences re pension scheme deficit	**302**	670	**302**	670
Temporary difference re special pension contribution	–	150	–	150
Other temporary differences	**176**	61	**67**	61
	692	975	**369**	881

18 NON CURRENT LIABILITIES (continued)

Deferred taxation

	Group		Company	
	2008	2007	**2008**	2007
Movement in net Deferred Taxation During the year	**£000**	£000	**£000**	£000
Net liability/(asset) brought forward	**(312)**	765	**(384)**	367
Re pension provision movement	**347**	(524)	**347**	(524)
Re special pension contribution	**150**	150	**150**	150
Re rolled over gain	**98**	(309)	**–**	(309)
Movement on other temporary differences	**(387)**	(394)	**(105)**	(68)
Restatement on change of deferred tax rate	**6**	–	**(1)**	–
	(98)	(312)	**7**	(384)

19 SHARE CAPITAL

	2008	2007
	£000	£000
Authorised		
9,000,000 (2007: 9,000,000) Ordinary shares of 25p	**2,250**	2,250
Allotted, called up and fully paid		
7,437,658 (2007: 7,415,658) Ordinary shares of 25p	**1,859**	1,854

During the year 22,000 shares (2007: 56,000) were issued at prices between 157.5p and 185.0p to satisfy the exercise of options under the executive share option scheme.

No share options lapsed (2007: 75,000).

No options were granted (2007: 498,310) and no options were surrendered (2007:13,900).

Options outstanding at 31 March 2008 were:

	No. of options	Exercise price	Exercisable between
	16,000	**185p**	16.11.2003 - 15.11.2010
	6,000	**157.5p**	01.08.2005 - 30.07.2009
	10,000	**155.5p**	03.06.2007 - 02.06.2011
	25,000	**231.5p**	13.07.2008 - 12.07.2012
	56,100	**215.5p**	21.06.2009 - 20.06.2013
	102,005	**192.8p**	02.07.2010 - 27.03.2017
	102,005	**192.8p**	02.07.2011 - 27.03.2017
	102,005	**192.8p**	02.07.2012 - 27.03.2017
	40,765	**0.0p**	27.03.2010 - 27.03.2017
	40,765	**0.0p**	27.03.2011 - 27.03.2017
	40,765	**0.0p**	27.03.2012 - 27.03.2017
Outstanding at 31 March 2008	**541,410**		
Granted in year	**–**	–	–
Outstanding at 31 March 2007	**541,410**		

20 SHARE BASED PAYMENTS

The Company has four share option schemes used to incentivise directors and senior managers of the Group as follows:

i) Inland Revenue Approved 1997 Share Option Scheme where options are exercisable at a price equal to the average quoted market price of the Company's shares over the 5 days prior to the date of grant. The vesting period is 3 years and the options expire after 10 years from date of grant.

ii) Inland Revenue Unapproved 1997 Share Option Scheme where options are exercisable at a price equal to the average quoted market price of the Company's shares over the 5 days prior to the date of grant. The vesting period is 3 years and the options expire after 7 years from date of grant.

iii) Performance Share Plan which grants nil cost options under an Enterprise Management Scheme. These will normally vest in 3 equal tranches on the third, fourth and fifth anniverary of grant subject to satisfaction of performance conditions set by the Remuneration Committee of the Company. These options expire on the tenth anniversary of grant.

iv) Share Option Scheme where options are exerciseable at the average quoted market price of the Company's shares over the three months prior to the date of grant. These will normally vest in 3 equal tranches on the third, fourth and fifth anniverary of grant subject to satisfaction of performance conditions set by the Remuneration Committee of the Company. These options expire on the tenth anniversary of grant.

Under all of the above options lapse if the employee leaves the Group subject to certain exceptions set out in the scheme rules. Under the transitional arrangements in IFRS 2, only live options granted after 7 November 2002 which had not vested at the effective date of the IFRS are included in the share based payment calculations. Due to the small number of individual grants made, each individual option is priced using the Black Scholes pricing model, rather than applying the model to weighted average figures for options granted in each year.

Relevant options (excluding 16,000 options granted before 7 November 2002) outstanding during the year were as follows:

		Weighted average	
	No. of options	Exercise price	Remaining contractual life (years)
At 31 March 2006	**110,000**	**212.8p**	**6.3**
Granted	**498,310**	**148.7p**	**9.9**
Lapsed	**(75,000)**	**205.5p**	**5.5**
Surrendered	**(13,900)**	**231.5p**	**9.3**
At 31 March 2007	**519,410**	**151.0p**	**9.6**
Granted	–	–	–
Exercised	–	–	–
Lapsed	–	–	–
At 31 March 2008	**519,410**	**151.0p**	**8.6**

Based on the following assumptions at 31 March 2008, the total fair value of options was £179,000, of which £27,000 was charged to the income statement (2007: credit of £6,525). The fair value of options granted in the year was £nil (2007: £290,671). The exercise price of options range from nil p to 231p.

	2008	2007
Share price at 31 March 2008	**158.5p**	199p
Expected volatility	**30.0%**	30.0%
Expected life	**4.8 years**	4.8 years
Risk free rate	**3.0%**	3.0%
Expected dividend yield	**7.5%**	5.9%

Expected volatility, to which the fair value is most sensitive, is based on movements in the share price during the year and the Directors' expectations of future volatility. The expected life has been arrived at based on the Directors' best estimate taking into account exercise conditions and behavioural considerations.

The mid-market price of the shares ranged between 158p and 213p during the year to 31 March 2008.

21 STATEMENT OF CHANGES IN EQUITY

Group	Share capital £000	Capital redemption reserve £000	Share premium account £000	Retained earnings £000	Attributable to equity holders of the parent £000
Balance at 1 April 2006	1,840	109	743	10,850	13,542
Total recognised income and expense for the year to 31 March 2007	–	–	–	(1,815)	(1,815)
Dividends paid (note 9)	–	–	–	(878)	(878)
Share based payments	–	–	–	(6)	(6)
Issue of shares	14	–	85	–	99
Balance at 1 April 2007	1,854	109	828	8,151	10,942
Total recognised income and expense for the year to 31 March 2008	–	–	–	1,119	1,119
Dividends paid (note 9)	–	–	–	(881)	(881)
Share based payments	–	–	–	27	27
Issue of shares	5	–	34	–	39
Balance at 31 March 2008	**1,859**	**109**	**862**	**8,416**	**11,246**

Company	£000	£000	£000	£000	£000
Balance at 1 April 2006	1,840	109	743	6,832	9,524
Total recognised income and expense for the year to 31 March 2007	–	–	–	(2,517)	(2,517)
Dividends paid (note 9)	–	–	–	(878)	(878)
Recognition of share based payments	–	–	–	(6)	(6)
Issue of shares	14		85		99
Balance at 1 April 2007	1,854	109	828	3,431	6,222
Total recognised income and expense for the year to 31 March 2008	–	–	–	1,778	1,778
Dividends paid (note 9)	–	–	–	(881)	(881)
Recognition of share based payments	–	–	–	27	27
Issue of shares	5	–	34	–	39
Balance at 31 March 2008	**1,859**	**109**	**862**	**4,355**	7,185

Share Premium Account

The share premium account balance includes the proceeds that were above the nominal value from issuance of the Company's equity share capital comprising 25p shares.

Capital redemption reserve

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

Retained earnings

Retained earnings include the accumulated profits and losses arising from the Consolidated Income Statement and certain items from the Statement of Recognised Income and Expense attributable to equity shareholders, less distributions to shareholders.

22 FIXED ASSET INVESTMENTS

	2008	2007
	£000	£000
Shares in subsidiary undertakings		
At cost	**7,159**	7,159

Wholly owned operating subsidiaries	Principal activity
Fred Duncombe Ltd	Manufacture and sale of architectural hardware
Petrel Ltd.	Manufacture and sale of lighting, switchgear and electrical installation products
Russell Ductile Castings Ltd	Manufacture and sale of engineering castings
Chamberlin & Hill Castings Limited	Manufacture and sale of engineering castings

The Company owns 100% of the issued ordinary share capital of the above companies, all of whom operate principally in England and Wales.

23 PENSION ARRANGEMENTS

During the year, the Group operated funded defined benefit and defined contribution pension schemes for the majority of its employees, these being established under trusts with the assets held separately from those of the Group. The pension operating cost for all of the Group schemes for 2008 was £473,000 (2007: £489,000) less £149,000 (2007: £90,000) of financing income.

The major scheme is the staff scheme, which is a defined benefits scheme providing benefits based on final salary. The pension cost has been projected forward, updated each 6 months by an independent qualified actuary, from the results of an actuarial valuation carried out as at 1 April 2007 using the projected unit method. The market value of the schemes total assets on that date was £14,080,000 and the value of these assets represented 96% of the benefits that had accrued to members allowing for expected future increases in salaries (which from 1 April 2002 have been limited to inflation).

The other schemes within the Group are defined contribution schemes and the pension cost represents contributions payable. The total cost of defined contributions schemes was £418,000 (2007: £407,000). The notes below relate to the defined benefit scheme.

The service cost has been calculated using the Projected Unit method. The major assumptions used by the actuary were (in nominal terms):-

	At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate of increase in salaries	**n/a**	2.9%	2.7%
Rate of increase of pensions in payment – post 1997 accrual only	**3.6%**	2.9%	2.7%
Discount rate	**6.1%**	5.2%	5.1%
Inflation assumption	**3.6%**	2.9%	2.7%

Demographic assumptions are all based on the PA92 (YOB) mc+2 mortality tables. The post retirement mortality assumptions allow for expected increases in longevity. The current disclosures relate to assumptions based on longevity in years following retirement as of the balance sheet date, with future pensioners relating to an employee retiring in 2032.

		2008 Years	2007 Years
Current pensioners at 65	– male	**20.3**	19.8
	female	**23.1**	22.7
Future pensioners at 65	– male	**21.2**	21.2
	female	**24.0**	24.0

The scheme was closed to future accrual with effect from 30 November 2007, after which the Company's regular contribution rate reduced to zero (previously the rate had been 9.1% of members' pensionable salaries). In addition the past service "catch up" contribution was reduced to £21,475 per month (previously £23,900 per month) designed to return the scheme to a fully funded position by April 2012. The contributions expected to be paid during the year to 31 March 2009 are £257,700. The curtailment loss on closure was £17,000.

23 PENSION ARRANGEMENTS (continued)

The scheme assets are stated at the market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts for each category of scheme asset. The rates quoted below are the expected net rates of return after allowance for expenses.

The assets and liabilities of the scheme and the expected rates of return were:

	As at 31 March 2008		As at 31 March 2007	
	Rate of return %	**Value £000**	Rate of return %	Value £000
Equities	**7.50**	**7,631**	7.50	8,790
Gilts	**4.00**	**1,653**	4.00	1,674
Bonds	**4.70**	**2,162**	4.70	2,093
Property	**7.00**	**1,273**	7.00	1,395
Cash	**4.00**	**–**	4.00	–
Market value of assets net of insured annuities		**12,719**		13,952
Actuarial value of liability		**(13,797)**		(16,187)
Recoverable deficit in scheme		**(1,078)**		(2,235)
Related deferred tax asset		**302**		670
Net pension liability		**(776)**		(1,565)

Recognised in the income statement	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Current service cost	**55**	82
Total charge disclosed in operating profit	**55**	82

Recognised as finance cost	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Expected return on pension scheme assets	**911**	793
Interest on pension liabilities	**(762)**	(703)
Net return disclosed in finance income	**149**	90

Analysis of amount recognised in consolidated Statement of Recognised Income and Expense ("SORIE")	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Actual return less expected return on assets	**(1,856)**	(38)
Other actuarial gain/(loss) on liabilities	**2,585**	(2,094)
Actuarial gain/(loss) recognised in the SORIE	**729**	(2,132)
Cumulative actuarial gains recognised in the SORIE	**817**	88

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the Group statement of recognised income and expense is £817,000 (2007: £88,000). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs, and taken directly to equity of £2,136,000, in the Group is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group statement of recognised income and expense before 1 January 2004.

23 PENSION ARRANGEMENTS (continued)

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Actual (loss)/return on plan assets	**(945)**	755

Movement in deficit during the year	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Deficit in scheme at beginning of year	**(2,235)**	(487)
Movement in year:		
Current service cost	**(55)**	(82)
Regular contributions	**334**	376
Net expected return on assets	**149**	90
Actuarial gain/(loss)	**729**	(2,132)
Deficit in scheme at end of year	**(1,078)**	(2,235)

Movement in scheme assets	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Fair value at beginning of year	**13,952**	13,690
Expected return on scheme assets	**911**	793
Actuarial (losses)/gains	**(1,856)**	(38)
Employer contributions	**334**	376
Member contributions	**46**	78
Benefits paid	**(668)**	(947)
Fair value at end of year	**12,719**	13,952

Movement in scheme liabilities	**Year to 31 March 2008 £000**	Year to 31 March 2007 £000
Benefit obligation at start of year	**16,187**	14,177
Current service cost	**55**	82
Interest cost	**762**	703
Scheme members' contributions	**46**	78
Actuarial loss	**(2,585)**	2,094
Estimated benefits paid	**(668)**	(947)
Benefit obligation at end of year	**13,797**	16,187

23 PENSION ARRANGEMENTS (continued)

Experience gains and losses		Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006	Year to 31 March 2005	Year to 31 March 2004
Difference between expected and actual return on scheme assets	£'000	(1,856)	(38)	1,285	347	1,088
	% of assets	(14.6)%	(0.3)%	9.4%	3.4%	11.1%
Experience gains/(losses) on scheme liabilities	£'000	600	–	–	(145)	–
	% of liabilities	4.3%	–	–	(1.1)%	–
Other gains/(losses) on scheme liabilities	£'000	1,985	(2,094)	(144)	514	456
	% of liabilities	14.4%	12.9%	1.0%	5.9%	3.0%
Net gains/(losses)	£'000	729	(2,132)	1,141	716	1,544
	% of liabilities	5.3%	13.2%	8.0%	5.2%	11.0%

24 CONTINGENT LIABILITIES

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's bank overdrafts. The borrowings of the subsidiaries at 31 March 2008 amounted to £nil (2007: £nil).

The claim noted in last year's accounts in respect of alleged statutory nuisance in relation to the operations of our Walsall foundry has continued to be pursued by the claimants. A provision relating to this has been included in the accounts as set out in note 12.

25 FINANCIAL COMMITMENTS

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Capital expenditure				
Contracted for but not provided in the accounts	102	97	–	–

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

	Group	
	2008	2007
	£000	£000
Future minimum payments due:		
Not later than one year	–	–
After one year but not more than five years	146	910
After five years	1,962	–
	2,108	910

Leases on land and buildings comprise the lease for the Leicester foundry (£218,000 per annum with an end date, subject to earlier termination, of 31 March 2017), and a lease within the Engineering Division for £110,000 terminating in August 2009. The lease on the Leicester foundry is terminable by the Company only on 12 months notice.

26 DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

Currency risk

The Group's functional currency is sterling but approximately 15% of revenues are denominated in foreign currencies, principally Euros in relation to castings exports. In order to reduce the Group's exposure to currency fluctuations the Group sells approximately 80% of its expected Euro revenues on forward currency contracts of 12 months or less.

At the year end it had net monetary assets denominated in Euros of £802,000 (2007: £1,186,000). If these contracts were not in place and the Euro moved by plus or minus 5% the corresponding gain/loss would be £230,000 (2007: £285,000).

Forward currency contracts for the sale of Euros outstanding at the year end have been retranslated to the prevailing year end rate with the difference being taken to the income statement, as follows:

	Contracted amount (Euros '000)	Weighted average contract rate	Contracted amount £'000	Exchange rate at year end	Contracted value at year end rate £'000	Profit/(loss) £'000
At 31 March 2008	**6,000**	**1.3941**	**4,304**	**1.2543**	**4,784**	**(480)**
At 31 March 2007	7,500	1.4719	5,095	1.4733	5,091	5

Interest rate risk

The Group operates an overdraft facility with HSBC Bank plc and has no other borrowings. Exposure to interest rate risk is considered to be low and no derivatives are used to modify the Group's interest rate risk profile.

The impact of a 50 basis point increase in UK interest rates would be a £5,000 reduction in profit before tax (2007: £8,000). An equivalent decrease in rates would increase profit before tax by £5,000 (2007: £8000). An analysis of interest bearing financial assets and liabilities is given below.

Cash and cash equivalents/(overdraft)	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Bank overdraft (Sterling denominated)	**(640)**	(503)	**(1,275)**	(1,415)
(Overdraft)/cash at bank and on hand (Euro denominated)	**(391)**	294	**–**	–
	(1,031)	(209)	**(1,275)**	(1,415)

Balances outstanding on the Group's overdraft facility from time to time are subject to floating rate interest and are repayable on demand.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 16. For transactions that do not occur in the UK, the Group does not offer credit terms without the approval of the operating business Finance Director. There are no concentrations of credit risk within the Group.

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

There are no material differences between the fair values and carrying values of the financial assets and liabilities.

The bad debt charge for the year was £76,000 (2007: £253,000).

26 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

Capital management

The Group defines capital as the total equity of the Group. The Group's objective for managing capital is to deliver competitive, secure and sustainable returns to maximize long-term shareholder value. Chamberlin is not subject to any externally-imposed capital requirements. The Group monitors capital on the basis of the gearing ratio, that is, the ratio of net debt to equity. Net debt is calculated as gross finance debt, as shown in the balance sheet, less cash and cash equivalents. All components of equity are included in the denominator of the calculation. The Directors believe that a net debt ratio in the range 30-40% provides an efficient capital structure and an appropriate level of financial flexibility. At 31 March 2008 the net debt ratio was 8% (2006: 2%), providing headroom from which to fund future investments.

27 RELATED PARTY TRANSACTIONS

Group

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

Company

The Company provides certain management services to subsidiary companies free of charge.

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

Compensation of key management personnel (including directors)

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Short term employee benefits	**1,106**	1,120	**522**	646
Share based payments	**27**	(6)	**27**	(6)
Pension contributions	**65**	76	**29**	31
	1,198	1,190	**578**	671

Key management, other than Directors of the Company, comprise the Managing Directors and Finance Directors of the main operating subsidiaries.

Directors and Advisors

Directors	**Tom Brown** (Non-executive Chairman) **Tim Hair** (Chief Executive) **Mark Bache** (Finance Director) **Adam Vicary** (MD – Chamberlin & Hill Castings Ltd) **Keith Jackson** (Non-executive) **Alan Howarth** (Non-executive)
Company Secretary	Mark Bache
Registered Office	Chuckery Road, Walsall WS1 2DU Registered in England No. 76928
Auditors	Ernst & Young LLP, Birmingham
Stockbrokers	Landsbanki Securities (UK) Ltd, London
Bankers	HSBC Bank plc, Birmingham
Registrars	Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA

Notice is hereby given that the Annual General Meeting of the Company will be held on Monday 28 July 2008 at the Registered Office, Chuckery Road, Walsall at 2.00 p.m. for the following purposes.

Ordinary business

1. To receive and adopt the Report of the Directors, Statement of Accounts and Report of the Auditors for the year ended 31 March 2008.
(Resolution 1)

2. To declare a Final Dividend for the year ended 31 March 2008 of 8.0 pence per Ordinary Share to be paid to members whose names appear on the register of members at the close of business on 4 July 2008.
(Resolution 2)

3. To re-elect as a Director Tim Hair who is retiring by rotation pursuant to Article 107 of the Company's Articles of Association.
(Resolution 3)

4. To re-elect as a Director Keith Jackson who is retiring by rotation pursuant to Article 107 of the Company's Articles of Association.
(Resolution 4)

5. To approve the Directors' Remuneration Report for the year ended 31 March 2008.
(Resolution 5)

6. To reappoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 6)

Special Business

7. To consider and, if thought fit, pass the following as a special resolution. That:

7.1 the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (in substitution for any existing power to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £390,585.50 provided that such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2009, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance to such offers or agreements; and

7.2 pursuant to and in accordance with the provisions of Article 18 of the Company's Articles of Association the Directors be empowered (in substitution for any existing authority to allot relevant securities) to allot equity securities (as defined in Section 94 of the Companies Act 1985) for cash pursuant to the general authority given to them for the purposes of Section 80 of the Act as if Section 89(1) of the Companies Act 1985 did not apply to such allotment:

(i) up to an aggregate nominal amount of £92,971; and

(ii) such authority to expire at the earlier of the conclusion of the next Annual General Meeting, of the Company or 31 October 2009, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

(Resolution 7)

8. To consider and, if thought fit, pass the following as a special resolution:

That the Company be and hereby is generally and unconditionally authorised pursuant to Article 12 of the Articles of Association of the Company and pursuant to section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary Shares of 25p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may from time to time determine provided that:-

(i) the maximum number of Ordinary Shares which may be purchased is 743,700;

(ii) the minimum price which may be paid for each Ordinary Share is 25 pence;

(iii) the maximum price which may be paid for each Ordinary Share is an amount equivalent to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the AIM List of the London Stock Exchange Plc for the five dealing days immediately preceding the day on which the Ordinary share in question is purchased; and

(iv) the authority hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2008 (except in relation to the purchase of Ordinary Shares the contract for which remains wholly or partly executory at that time) unless such authority is renewed prior to that time.

(Resolution 8)

By order of the Board

Mark Bache
Company Secretary
5 June 2008

Chuckery Road
Walsall
WS1 2DU

General Information

Any member of the Company entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and vote on a poll instead of him, for which purpose a form of proxy is enclosed. Proxies must be lodged at the office of the Company's Registrars, Neville Registrars Ltd, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not later than 48 hours before the time of the Meeting. Completion and return of the form of proxy in accordance with its instructions will not prevent a member from attending and voting at the Meeting instead of their proxy if they wish. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A member wishing to appoint more than one proxy should photocopy the proxy card and indicate on each copy the name of the proxy he appoints and the number of shares in respect of which that proxy is appointed.

Warrants for the final dividend, if approved at the Meeting, will be posted on 28 July 2007 to shareholders registered at the close of business on 4 July 2008.

There will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public Holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting:-

(a) the register of Directors' interests in shares of the Company kept pursuant to Section 325 of the Companies Act 1985; and

(b) copies of contracts of service of Directors with the Company or with any of its subsidiary undertakings.

An explanation of Resolutions 7 and 8 is set out in the Report of the Directors on page 11.

Members should notify the Registrars without delay of any change of address.

Chamberlin & Hill Castings Ltd

Small repetition grey iron castings, principally for the automotive sector and hydraulic applications.

CHAMBERLIN & HILL CASTINGS LTD
Chuckery Road
Walsall, WS1 2DU

Tel: 01922 721411
Fax: 01922 614610

www.chcastings.co.uk

FD

Emergency exit equipment and traditional architectural hardware directed mainly at the DIY and construction markets.

FRED DUNCOMBE LTD
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WS11 0JE

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Fax: 01543 573534

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Hazardous Area Equipment

Products associated with cable management. Lighting and switchgear associated with petrochemicals and construction applications.

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Kitts Green,
Birmingham B33 0LB

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Fax: 0121 783 5717

www.petrel-ex.co.uk

RDC Russell Ductile Castings

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

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Bonchurch Street, Leicester LE3 5EP
Tel: 0116 2992000
Fax: 0116 2998844

RUSSELL DUCTILE CASTINGS LTD
Trent Foundry, Dawes Lane
Scunthorpe DN15 6UW
Tel: 01724 862152
Fax: 01724 280461

www.russellcastings.co.uk

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