chamberlin plc

2009

Report and Accounts **2009**

chamberlin plc

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

Despite the recent downturn in the market the group has been able to sustain relationships with existing clients and win new business, demonstrating the underlying strength of the business.

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Highlights

Chamberlin remains a technically strong, well managed Group, with a sound balance sheet. Although the short term will continue to be very challenging we believe there will be opportunities for both organic and acquisitive growth in the medium term.

- Robust results in exceptionally difficult trading conditions
  – extreme downturn in H2 reversed gains of H1
- Revenues of **£39.940m** (2008: £39.967m)
  – volumes contracted by 37% in H2
- Underlying* operating profit of **£460,000** (2008: £1.323m)
  Statutory operating profit of **£14,000** (2008: £829,000)
- Exceptional costs of **£446,000** (2008: £494,000)
- Capital spend of **£2.1m** completes two year investment programme
- Underlying* profit before tax of **£259,000** (2008: £1.404m)
  Statutory loss before tax of **£498,000** (2008: profit of £585,000)
- Underlying* earnings per share of **2.2p** (2008: 15.1p)
  Statutory loss per share of **11.4p** (2008: earnings of 8.0p)
- Net assets at year end stood at **£9.461m** (2008: £11.689m)
- New management team's work over the last two years to restructure and modernise the business leaves Chamberlin well placed to weather the challenging conditions

* stated before exceptional costs of £446,000 and unrealised foreign exchange expenses of £311,000 (2008: Stated before exceptional costs of £494,000 and unrealised foreign exchange expenses of £325,000).

difficult things done well®

Board of Directors

Tom Brown

Chairman

Aged 60, 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 49, 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

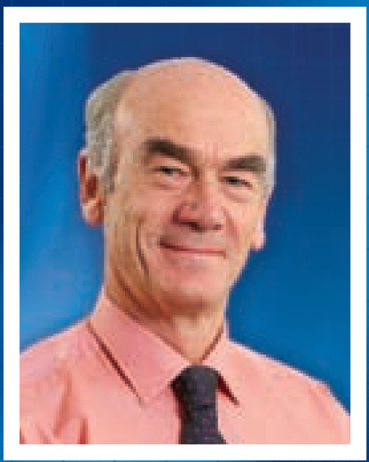
Finance Director

Aged 45, 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 41, 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 60, 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 the Russian Timber Group Ltd and a director of 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 63, Alan was appointed as a director in January 2007. Alan was previously a partner in Ernst & Young. He is Chairman of Cerillion Technologies Ltd, CRF Inc, and has further Non-Executive interests in a range of listed and private companies. Alan is Chairman of the Remuneration Committee.

Chairman's Statement

> "Although the short term will continue to be very challenging we believe there will be opportunities for both organic and acquisitive growth in the medium term."

Tom Brown

After a two year period of fundamental change at Chamberlin, during which the new management team substantially restructured and reorganised the business, modernising systems and business practices, the benefits were becoming evident in Chamberlin's financial results. The first half of the year showed a significant improvement in profitability. However, the autumn saw the most dramatic decline in the engineering economy in modern times and the second half of last year proved to be extremely difficult.

As a result, the achievements of the first half were reversed by the severe downturn in the second half. While this was extremely disappointing, the Board believe that the improvements made throughout the business since 2006 leave the Group better placed than many in our sector to weather the exceptionally difficult trading environment and I am pleased to report that this is proving to be the case.

Results & Dividend

For the year ended 31 March 2009, underlying profit before tax, excluding exceptional items and unrealised foreign exchange cost fell to £0.3m (2008: £1.4m). Underlying earnings per share before all one-off costs fell to 2.2p (2008: 15.1p) with both results adversely affected by the severe drop in demand in the second half of the year.

Overall revenues decreased slightly to £39.94m (2008: £39.97m).This result needs careful interpretation since it is the outcome of a combination of first half growth and second half contraction, coupled with price surcharge effects (described in more detail in the Business Review) and it masks an overall decrease in volume of 37% in the second half.

Exceptional costs in the year totalled £446,000 (2008: £494,000), with severance costs, which were unfortunately necessary in re-structuring the business during the downturn, accounting for £253,000 of this total. The remainder chiefly relates to the settlement of the nuisance claim described in our 2008 report and partially accounted for in that year.

Capital spending has been high in recent years as the new management team caught up on previous under-investment in key sites and the majority of the year's budget had already been committed before the downturn in the autumn. This spend has been a key factor in an increase of £2.23m in Group borrowings to £3.26m during the year. However, Chamberlin's balance sheet remains strong, with gearing at 34% at the year end and net assets at £9.46m. We have also recently renewed our £4.5m overdraft facility without onerous terms.

In our interim statement, I announced that we had taken the decision to reduce the Group's dividend to a level which we believed would be sustainable in current market conditions. However, since then, trading volumes have declined much further and in view of this and having paid an interim dividend of 1.2p per share, your Board has decided with regret to suspend dividends at the current time. We remain committed to a policy of progressive dividends and look forward to returning to paying a dividend when the Board believes there has been sufficient improvement in trading conditions.

The deficit in the Group's defined benefit pension scheme, closed to further accrual in December 2007, increased to £1.8m (2008: £1.1m) largely as a consequence of the stock market downturn.

Operations

The strong demand and improved profitability reported for the first half of the financial year was replaced during November 2008 with severe reductions in demand from many sectors, and this reduction was exacerbated by the de-stocking of supply chains. Our foundries at Walsall and Leicester were particularly badly hit and saw volume reductions of well over 50% from some customers. Our engineering businesses, which account for approximately 17% of total revenues, were affected less significantly but they also experienced reduced demand.

Chamberlin products are supplied to end-users in a wide variety of industries and the breadth of our customer base has been beneficial in the downturn. Group sales are not overly exposed to any single sector, with the most significant being passenger car (13% of sales), construction equipment (12%), commercial vehicles (12%) and hydraulics (9%). It is encouraging that, in the current market conditions, we have continued to win new customers and these should stand us in good stead when demand begins to recover.

In September, we had prepared contingency plans in anticipation of a decline in demand. Although the extent of the downturn was beyond our expectations, these plans, which included redundancies, short-time working at all sites, wage freezes and rigorous spending control, allowed an immediate reaction to the downturn and limited the damage to the business. In addition to cost reductions, we also focused on improving efficiency, driving productivity, lean manufacturing and process improvements. Despite the acute problems due to lack of demand, our infrastructure remains intact and ready to respond in full to future restoration of demand.

Strategy

Despite the recession, we continue to pursue our strategy to broaden the Group's activities through the acquisition of engineering companies that meet our criteria and fit the principle of "difficult things done well". During the first half of the year, we made significant progress in our search for acquisitions and made some indicative offers though the price expectations of vendors proved excessive. Lately our focus has had to be on the existing businesses but we will again look actively for acquisitions as the economy becomes more stable and expect to see a wider range of more sensibly priced opportunities.

Outlook

In recent months, our main markets have been severely distorted by de-stocking. This has caused orders for the components we supply to fall to an excessively low level and certainly well below the level of sales of finished products to end customers. Inevitably there is a limit to this process as stocks are consumed. We are now seeing the first signs that some of our customers appear to have reached this point and we expect to see a progressive increase in sales in the coming months, assuming end-user demand remains at current levels. In addition, with capital spending now reduced, we expect the business to generate cash during the coming year so long as there is no further worsening in the economic situation.

Chamberlin remains a technically strong, well managed Group, with a sound balance sheet. Although the short term will continue to be very challenging we believe there will be opportunities for both organic and acquisitive growth in the medium term.

Tom Brown
Chairman
4 June 2009

Business Review

Tim Hair

“Early reductions in capacity and rigorous control of spending have been implemented in all sites ..... we continue to leverage our engineering leadership to win new business.”

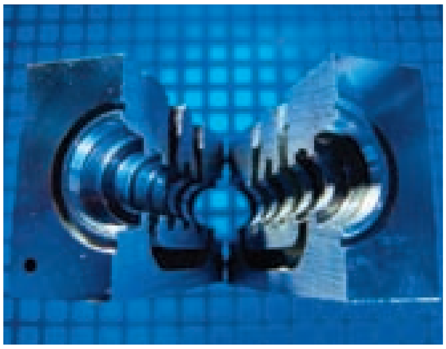
In our last report, we indicated that the turnaround of Chamberlin had progressed well and that the new management teams in our subsidiaries were providing strong leadership to their businesses. As the economy entered recession, the changes we had made to the business served Chamberlin well, allowing the business to manage the downturn effectively and ensuring that we are better positioned than many in our sector for the recovery when it arrives.

FINANCIAL RESULTS

Revenues were broadly flat at £39.94m (2008: £39.97m) but included significant price and volume movements. Price surcharges, linked to increases in material costs earlier in the year, were off-set by an overall volume reduction of approximately 20% for the year as a whole. The fall in volume occurred in the second half when volumes reduced by 37% compared to the first half, as the global downturn caused a rapid decline in demand from November onwards and customers began to de-stock. This impact was particularly acute in the foundries in Walsall and Leicester.

The underlying profit before tax and exceptional items (PBTE) for the year was £259,000 (2008: £1,404,000). This is before the impact of revaluing forward currency contracts, which in the year resulted in a charge of £311,000 (2008: £325,000).

Group borrowings have increased by £2.23m in the year to £3.26m due to a combination of factors. Capital spend of £2.1m, the majority of which had been committed when recession struck, largely related to ‘catch up’ investment on key sites after years of previous underinvestment. Working capital was broadly flat, as the sudden cancellation of schedules prevented us from reducing stocks in line with demand. The substantial proportion of the nuisance claim costs were paid during the period and finally the dividends paid exceeded current earnings. However, gearing remains low at 34% (2008: 9%) and the balance sheet is strong with net assets of £9.46m.



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.

OPERATIONS

After a good first half, the business environment in the second half was a complex mixture of reduced underlying demand, de-stocking, falling raw material prices and unreliable schedules and payments. Together, these created the most difficult trading conditions of recent years. However our subsidiaries responded to the challenges in their markets and performed creditably in these difficult times. Early reductions in capacity, redundancies, short-time working to retain skilled employees and rigorous control of spending have been implemented in all sites. Business improvement activity has been increased to take advantage of spare technical capacity and we continue to leverage our engineering leadership to win new business.

Foundries

Our foundry businesses, based in Walsall, Leicester and Scunthorpe, account for 83% of Group turnover.

Chamberlin & Hill Castings

This volume foundry, located in Walsall, is a leader in castings with complex internal passages and has continued to focus on winning business in markets where this is a critical skill, notably turbochargers and hydraulic equipment. In the past, turbocharger sales have been dominated by a single customer but we are pleased to report that supply to a second turbocharger manufacturer has now started and technical discussions are underway with further customers in this sector. The hydraulics market now accounts for 14% of sales, having grown from 3% two years ago, as the business has added a number of the leading hydraulics companies to its customer base.

The downturn in the automotive industry has caused a significant reduction in demand at Walsall. Sales of both passenger cars and trucks have declined and the removal of stock from the supply chain has greatly amplified the impact on our business in the short term. De-stocking in the passenger car sector appears to be coming to an end and we expect demand at the foundry to recover during the first half of the new financial year until it reflects the underlying level of demand in the marketplace. Demand in the truck sector supply chain continues to be low and we believe that there is further de-stocking required in this sector.

The lean manufacturing initiative started in 2008 has progressed well, yielding improvements in quality, productivity and customer service. We have made further investment in new equipment and this has reduced our break-even point and created a firm platform for profitable growth when demand recovers.

Automotive turbochargers remain an attractive sector despite the short term fall in volume. Currently, very few petrol engines are turbocharged but, in future, more will require turbo charging to meet emissions regulations. Chamberlin & Hill is currently working on prototype parts for both petrol engines and petrol-engine hybrids that will be launched in vehicles in 2010. With very few other foundries in Europe capable of developing these castings, we are well placed to take advantage of growth in this area.

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

“Chamberlin’s balance sheet remains strong, with gearing at 34% .... we have recently renewed our £4.5m borrowing facility without onerous terms.”

Russell Ductile Castings

A specialist in highly-engineered, lower volume castings, Russell Ductile operates from two sites, in Leicester and Scunthorpe, supplying a diverse range of industries. The turnaround process of this business, started in 2007, has been successfully completed and Russell Ductile is now operating effectively. Unfortunately, the recent downturn has reduced demand for mid-range castings, especially in the construction equipment sector served by the Leicester site, preventing the business from delivering its full potential. Demand for the heaviest castings made in Scunthorpe has fallen back a little but so far this area has been least affected by the downturn.

Our programme to penetrate new markets has delivered some notable successes and Russell Ductile has now become a recognised supplier to manufacturers of defence equipment, specialist vehicles, hydraulics and railway rolling stock. The business is now working on opportunities in both transport and renewable energy where its specialist skills are in demand.

Engineering

Our two engineering businesses, Fred Duncombe and Petrel, account for 17% of the Group’s turnover.

Fred Duncombe

Trading under the Exidor brand, this business is the second largest provider in the UK of emergency exit hardware. This makes up 80% of its business, with the remainder being in related hardware products. Although Duncombe is not exposed to the housing industry it does supply the construction industry and demand from this sector fell significantly during the year under review. We installed new management and a new sales team in the business in the previous financial year and we are pleased to report that their efforts have partially offset the downturn in the market, limiting the reduction in sales.

Petrel

A niche supplier of lighting and electrical controls for hazardous areas, Petrel has made good progress with both product offering and operational efficiencies, including upgrading its business systems during the year. Sales have been little impacted by recession during the year and we continue to view this as a growth business.

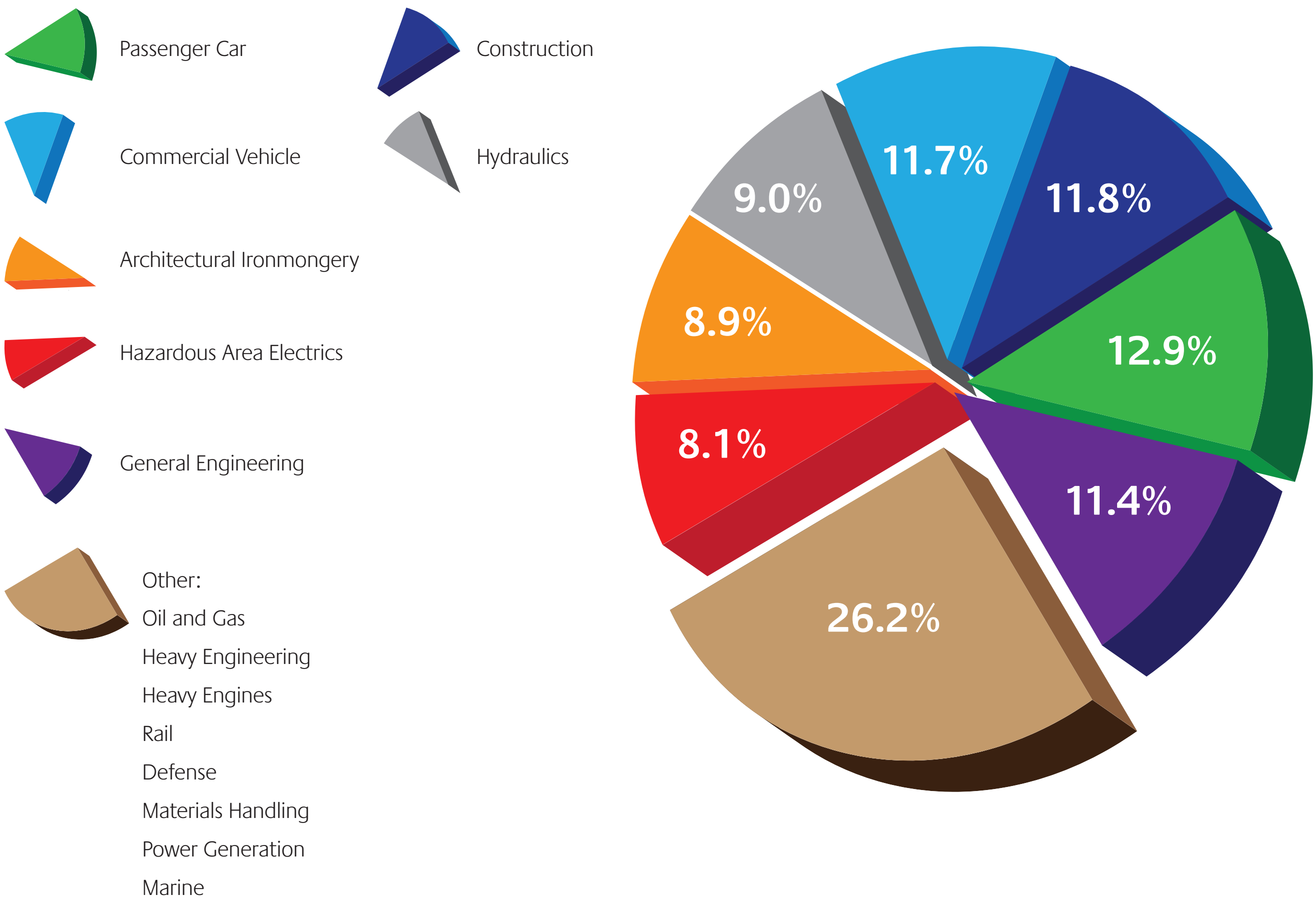
Tim Hair
Chief Executive
4 June 2009

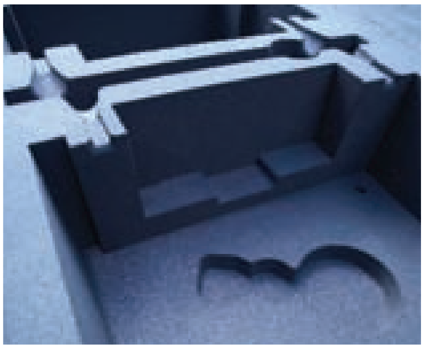
Mark Bache
Finance Director
4 June 2009

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.

Group Markets





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 2009.

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 2009	Year to 31 March 2008
Return on sales	Foundries	**2.2%**	3.3%
	Engineering	**3.9%**	9.4%
	Group	**1.2%**	3.3%
Return on net assets	Foundries	**6.9%**	11.1%
	Engineering	**7.5%**	19.2%
	Group	**4.8%**	11.8%
Sales per employee (£'000)	Foundries	**89.1**	87.2
	Engineering	**81.0**	81.5
	Group	**86.1**	84.7

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 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 2009	Year to 31 March 2008
Foundries	**373**	376
Engineering	**83**	88
Head office*	**8**	8
Group	**464**	472

* 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 described 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.
- As the world enters recession the Group is exposed to additional risks associated with significant and rapid changes in demand. In order to mitigate this risk the Group regularly monitors its forward order load and where practical takes action to adjust its cost base inline with demand.
- The Group's approach to managing other financial risks is set out in note 26 to the financial statements.

Dividends

The Directors do not recommend the payment of a final dividend. An interim dividend of 1.2p per share paid was paid on 15 December 2008 (2008: total dividend 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 19.

Executive Directors

Tim Hair
Aged 49, 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 45, 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 41, 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 60, 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 60, 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 the Russian Timber Group Ltd and a Director of 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 63, Alan was appointed as a Director in January 2007. Alan was previously a partner in Ernst & Young. He is Chairman of Cerillion Technologies Ltd, CRF Inc, and has further Non-Executive interests in a range of listed and 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 23 July 2009 (see the Notice of Annual General Meeting on pages 54 to 55), Mark Bache and Alan Howarth 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. The Group provides indemnities to the Directors in respect of liabilities or claims arising in the performance of their duties.

Directors' shareholdings

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

	At 31 March 2009	At 31 March 2008
Tom Brown	**20,000**	20,000
Tim Hair	**3,000**	3,000
Mark Bache	**5,000**	5,000
Adam Vicary	**15,000**	15,000
Keith Jackson	**7,525**	7,525
Alan Howarth	**5,300**	5,300

There have been no changes in the interests of the directors set out above between 1 April 2009 and 4 June 2009.

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 be sought to allot shares in the Company up to an aggregate nominal amount of £619,805 (which represents approximately 33 % of the issued share capital of the Company as at 4 June 2009). This limit is in line with the guidelines issued by the Association of British Insurers. The Company can only issue shares in its capital to the extent to which it has authorised but as yet unissued share capital and, as such, until 1 October 2009 the directors will only be

able to allot shares up to the amount of the Company's authorised share capital. Up until that time the authority will therefore be limited to shares in the Company having an aggregate nominal amount of £390,585.50. Changes are proposed to the Company's articles of association that will, if approved, take effect from 1 October 2009 and will, amongst other things, abolish the Company's current requirement to have an authorised share capital limit. Consequently, if the new articles of association are approved, the directors will, with effect from 1 October 2009, be authorised to allot shares in the capital of the Company to the full amount for which authority is being sought (to the extent not allotted prior to 1 October 2009).

Authority will also be sought from shareholders to allow the Directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £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 4 June 2009.

Authority to purchase own shares

At the Annual General Meeting in 2008, 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 4 June 2009.

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.

Revised Articles of Association

The Company's articles of association were last substantially updated in 1994 and approved by shareholders at the AGM in that year. As a consequence of recent changes in legislation and in particular the Companies Act 2006, which comes into full effect from 1 October 2009, the Directors are seeking Shareholders approval to revise the articles of association to take account of these changes. A separate letter from the Chairman setting out the key changes proposed has been issued with this annual report and notice of annual general meeting.

The authority is sought by way of a special resolution as set out in item 9 of the notice of meeting on page 55.

Authority to offer scrip dividends

The Directors seek authority, with effect from 1 October 2009, by way of an ordinary resolution (Resolution 10), to offer the ordinary shareholders of the Company the right to elect to receive new ordinary shares, credited as fully paid up, instead of cash in respect of the whole or any part of any dividend declared. The authority is proposed to be obtained in accordance with the new articles of association that are proposed to be adopted by the Company with effect from 1 October 2009 and Resolution 10 is therefore proposed to the shareholders subject to the passing of Resolution 9.

Substantial shareholders

At 4 June 2009 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	13.45%
Henderson Global Investors	570,000	7.66%
Brewin Dolphin Securities	520,430	7.00%
Discretionary Unit Fund	500,000	6.72%
Schroder Institutional UK Smaller Companies Fund	477,178	6.42%
Gartmore Investment Management	437,994	5.89%
AXA Framlington Monthly Income Unit Trust	424,000	5.70%
Perfecta Assets Ltd	275,000	3.70%
Chelverton Asset Management	235,000	3.16%
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 (2008: £nil). There were no political donations in the year (2008: £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 2009 was 68 days (2008: 67 days) and that of the Company was 57 days (2008: 57 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
4 June 2009

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 which 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 ten 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 19.

(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 is in operation, 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	11	2	3	2
Tom Brown	11	2	3	2
Keith Jackson	11	2	3	2
Alan Howarth	11	2	3	2
Tim Hair	11	2	n/a	n/a
Mark Bache	11	n/a	n/a	n/a
Adam Vicary	11	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
4 June 2009

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 cars 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 2009 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 2009 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:

(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) Non-EMI qualifying options are also granted under the Performance Share Plan. Non-EMI options become exercisable on the third anniversary of the date of grant subject to the satisfaction of a performance condition set by the Remuneration Committee of the Company. The proportion of Non-EMI awards that become exercisable varies on a straight line basis from 25% to 100% based on the Company's TSR ranking against a comparator group between the median and upper quartile ranking. No options are exercisable if growth is below this range.

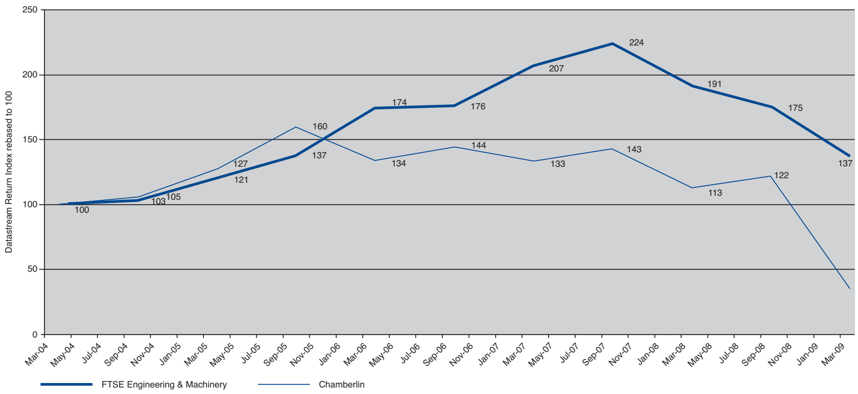
(iv) A Share Option Plan ("SOP") which issues options at the average quoted market price of the Company's shares over the three months prior to grant. The options will normally become exercisable in three equal tranches on each of the third, fourth and fifth anniversaries of the date of grant subject 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 **2009 £000**	2008 £000
Executive						
Tim Hair	165	–	20	–	**185**	181
Mark Bache	120	–	15	–	**135**	135
Adam Vicary	97	–	13	–	**110**	103
Non-Executive						
Tom Brown *	14	43	–	–	**57**	57
Keith Jackson	23	–	–	–	**23**	23
Alan Howarth	23	–	–	–	**23**	23
Total	**442**	**43**	**48**	**–**	**533**	522
Total 2008	395	43	45	39	**522**	

* 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 27.

continued

Directors' pensions

No retirement benefits accrued during the year to directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2008: nil) which is a defined benefit scheme.

Contributions into personal pension plans	Percentage of basic salary	**Contribution paid 2009 £000**	Contribution paid 2008 £000
T Hair	10%	**17**	14
M Bache	8%	**10**	8
A Vicary	8%	**7**	7

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

Directors' options	31 March 2008	Granted in year	Exercised in year	Lapsed or surrendered in year	31 March 2009	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
	–	11,940	–	–	11,940	nil	02.07.2011 - 02.07.2018
	–	14,925	–	–	14,925	nil	02.07.2011 - 02.07.2018
	–	101,227	–	–	101,227	163.0p	02.07.2012 - 02.07.2018
	–	101,227	–	–	101,227	163.0p	02.07.2013 - 02.07.2018
	–	101,226	–	–	101,226	163.0p	02.07.2014 - 02.07.2018
	–	132,000	–	–	132,000	nil	19.12.2011 - 19.12.2012
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
	–	17,910	–	–	17,910	nil	02.07.2011 - 02.07.2018
	–	49,079	–	–	49,079	163.0p	02.07.2012 - 02.07.2018
	–	49,079	–	–	49,079	163.0p	02.07.2013 - 02.07.2018
	–	49,079	–	–	49,079	163.0p	02.07.2014 - 02.07.2018
	–	96,000	–	–	96,000	nil	19.12.2011 - 19.12.2012
Adam Vicary	16,000	–	–	–	16,000	185p	16.11.2003 - 15.11.2010
	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
	–	13,432	–	–	13,432	nil	02.07.2011 - 02.07.2018
	–	51,947	–	–	51,947	nil	19.12.2011 - 19.12.2012
	535,410	789,071	–	–	1,324,481		

Option grants are exercisable only upon the achievement of the performance targets explained on page 16.

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 and Adam Vicary as follows:

	2009	2008
	£000	£000
T Hair	**6**	16
M Bache	**5**	11
A Vicary	**1**	–

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.

No Directors exercised options during the year.

There have been no changes in the interests set out above between 1 April 2009 and 4 June 2009.

The mid-market price of the shares at 31 March 2009 was 46.5p and ranged between 38.5p and 173.0p during the year.

On behalf of the Board

Alan Howarth
Chairman, Remuneration Committee
4 June 2009

Independent Auditors' Report 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 2009 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 2009 and of its loss 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 2009;
- 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
4 June 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 Before exceptional items £000	Year ended 31 March 2009 Exceptional items (see note 12) £000	Year ended 31 March 2009 Total £000	Year ended 31 March 2008 Before exceptional items £000	Year ended 31 March 2008 Exceptional items (see note 12) £000	Year ended 31 March 2008 Total £000
Revenue	3	**39,940**	**–**	**39,940**	39,967	–	39,967
Cost of sales		**(33,783)**	**–**	**(33,783)**	(33,134)	–	(33,134)
Gross profit		**6,157**	**–**	**6,157**	6,833	–	6,833
Other operating expense	4	**(5,697)**	**(446)**	**(6,143)**	(5,510)	(494)	(6,004)
Operating profit/(loss) from continuing operations		**460**	**(446)**	**14**	1,323	(494)	829
Finance revenue	6	**–**	**–**	**–**	149	–	149
Finance costs	6	**(201)**	**–**	**(201)**	(68)	–	(68)
Profit/(loss) from continuing operations before tax and unrealised foreign currency loss	7	**259**	**(446)**	**(187)**	1,404	(494)	910
Unrealised foreign currency loss		**(311)**	**–**	**(311)**	(325)	–	(325)
(Loss)/profit from continuing operations before tax		**(52)**	**(446)**	**(498)**	1,079	(494)	585
Tax (expense)/credit	8	**(5)**	**(346)**	**(351)**	(181)	190	9
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent company		**(57)**	**(792)**	**(849)**	898	(304)	594

	Notes	2009		2009	2008		2008
Earnings/(loss) per share:							
basic	11			**(11.4)p**			8.0p
underlying	11	**2.2p**			15.1p		
diluted	11			**(11.4)p**			7.9p
diluted underlying	11	**2.1p**			14.9p		

Consolidated Statement of Recognised Income and Expense

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Actuarial (losses)/gains on pension assets and liabilities	23	**(982)**	729
Deferred tax credit/(charge) on actuarial (losses)/gains		**275**	(204)
Net (expense)/income recognised directly in equity		**(707)**	525
(Loss)/profit for the year		**(849)**	594
Total recognised income and expense for the year attributable to equity holders of the parent company		**(1,556)**	1,119

Parent Company Statement of Recognised Income and Expense

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Actuarial (losses)/gains on pension assets and liabilities	23	**(982)**	729
Deferred tax credit/(charge) on actuarial (losses)/gains		**275**	(204)
Net (expense)/income recognised directly in equity		**(707)**	525
Profit for the year		**989**	1,253
Total recognised income and expense for the year attributable to equity holders of the parent company		**282**	1,778

Consolidated Balance Sheet

at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 (Restated *) £000
Non-current assets			
Property, plant and equipment	13	**8,968**	8,349
Intangible assets	14	**690**	379
Deferred tax asset	18	**809**	692
		10,467	9,420
Current assets			
Inventories	15	**5,078**	4,616
Trade and other receivables	16	**6,004**	8,719
Income taxes receivable	16	**–**	5
		11,082	13,340
Total assets		**21,549**	22,760
Current liabilities			
Financial liabilities	17	**3,258**	1,031
Trade and other payables	17	**6,614**	8,151
Provisions	17	**48**	660
		9,920	9,842
Non current liabilities			
Deferred tax	18	**340**	151
Defined benefit pension scheme deficit	23	**1,828**	1,078
		2,168	1,229
Total liabilities		**12,088**	11,071
Capital and reserves			
Share capital	19	**1,859**	1,859
Share premium	21	**862**	862
Capital redemption reserve	21	**109**	109
Retained earnings	21	**6,631**	8,859
Total equity		**9,461**	11,689
Total equity and liabilities		**21,549**	22,760

* Restated for deferred tax, see note 2

Tim Hair
Mark Bache
} **Directors**

The accounts were approved by the Board of Directors on 4 June 2009

Parent Company Balance Sheet

at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 (Restated *) £000
Non-current assets			
Property, plant and equipment	13	**1,079**	1,112
Intangible assets	14	**3**	6
Investments	22	**8,159**	7,159
Deferred tax asset	18	**579**	369
		9,820	8,646
Current assets			
Trade and other receivables	16	**140**	36
Income taxes receivable		**334**	469
Amounts due from subsidiary undertakings	16	**3,457**	4,096
		3,931	4,601
Total assets		**13,751**	13,247
Current liabilities			
Financial liabilities	17	**1,225**	1,275
Trade and other payables	17	**80**	565
Amounts due to subsidiary undertakings	17	**3,350**	2,701
		4,655	4,541
Non-current liabilities			
Amounts due to subsidiary companies	18	**66**	66
Deferred tax	18	**41**	11
Defined benefit pension scheme deficit	23	**1,828**	1,078
		1,935	1,155
Total liabilities		**6,590**	5,696
Capital and reserves			
Share capital	19	**1,859**	1,859
Share premium	21	**862**	862
Capital redemption reserve	21	**109**	109
Retained earnings	21	**4,331**	4,721
Total equity		**7,161**	7,551
		13,751	13,247

* Restated for deferred tax, see note 2

Tim Hair
Mark Bache } **Directors**

The accounts were approved by the Board of Directors on 4 June 2009

Consolidated Cash Flow Statement

for the year ended 31 March 2009

Operating activities	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
(Loss)/profit for the year		**(849)**	594
Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities:			
Taxation		**351**	(9)
Net finance costs/(income)		**201**	(81)
Depreciation of property, plant and equipment	13	**1,058**	1,104
Amortisation of software	14	**45**	42
Amortisation of development costs	14	**52**	46
Profit on disposal of property, plant and equipment	7	**(11)**	(471)
Share based payments	20	**12**	27
Pension element of finance (costs)/income	6	**(39)**	149
Difference between pension contributions paid and amounts recognised in the Income Statement		**(231)**	(428)
(Increase)/decrease in inventories		**(462)**	130
Decrease/(increase) in receivables		**2,715**	(1,349)
(Decrease)/increase in payables		**(1,537)**	414
Movement in provisions		**(612)**	660
Cash generated from operations		**693**	828
UK Corporation Tax received		**–**	84
Net cash flow from operating activities		**693**	912
Investing activities			
Purchase of property, plant and equipment	13	**(1,725)**	(1,579)
Purchase of software	14	**(224)**	(14)
Development Costs	14	**(184)**	–
Disposal of plant and equipment		**59**	769
Net cash flow from investing activities		**(2,074)**	(824)
Financing activities			
Interest paid	6	**(162)**	(68)
Equity dividends paid	9	**(684)**	(881)
Issue of shares (including premium)	21	**–**	39
Net cash flow from financing activities		**(846)**	(910)
Net decrease in cash and cash equivalents		**(2,227)**	(822)
Cash and cash equivalents at the start of the year		**(1,031)**	(209)
Cash and cash equivalents at the end of the year		**(3,258)**	(1,031)
Cash and cash equivalents comprise:			
Financial liabilities	17	**(3,258)**	(1,031)
		(3,258)	(1,031)

Parent Company Cash Flow Statement

for the year ended 31 March 2009

Operating activities	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Profit for the year		**989**	1,253
Adjustments to reconcile profit for the year to net cash inflow from operating activities:			
Taxation		**(230)**	(289)
Net finance costs/(income)		**166**	(27)
Depreciation of property, plant and equipment	13	**52**	54
Amortisation of software	14	**3**	2
Pension element of finance (costs)/income		**(39)**	149
Share based payments	20	**12**	27
Difference between pension contributions paid and amounts recognised in the Income Statement		**(231)**	(428)
Decrease/(increase) in receivables		**535**	(206)
Increase in payables		**164**	616
Cash generated from operations		**1,421**	1,151
UK Corporation Tax received		**–**	7
Group relief		**460**	–
Net cash flow from operating activities		**1,881**	1,158
Investing activities			
Investment in subsidiary		**(1,000)**	–
Purchase of property, plant and equipment	13	**(31)**	(79)
Purchase of software	14	**–**	(1)
Disposal of plant and equipment		**12**	25
Net cash flow from investing activities		**(1,019)**	(55)
Financing activities			
Interest paid		**(128)**	(121)
Equity dividends paid	9	**(684)**	(881)
Issue of shares (including premium)	21	**–**	39
Net cash flow from financing activities		**(812)**	(963)
Net increase in cash and cash equivalents		**50**	140
Cash and cash equivalents at the start of the year		**(1,275)**	(1,415)
Cash and cash equivalents at the end of the year		**(1,225)**	(1,275)
Cash and cash equivalents comprise:			
Financial liabilities	17	**(1,225)**	(1,275)
		(1,225)	(1,275)

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 2009 were authorised for issue by the board of the directors on 4 June 2009 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.

Restatement of deferred tax

After a detailed review of the Group's historic deferred tax provisions it has been concluded that liabilities in respect of capital gains rolled over into goodwill on the acquisition of Fred Duncombe Ltd in 1989 and Heyes Lighting Ltd (now part of Petrel Ltd) in 1987 have been incorrectly included within the financial statements in previous years. This gives rise to a restatement of the deferred tax liability, as at 31 March 2007 and 31 March 2008, reducing it by £443,000 and increasing retained earnings by a corresponding amount. The restatement as it affects the balance sheet is as follows:

	Group		Company	
	Restated	As previously reported	Restated	As previously reported
		£000	£000	£000
Deferred tax liability	151	594	11	377
Retained earnings at 31 March 2007	8,594	8,151	3,797	3,431
Retained earnings at 31 March 2008	8,859	8,416	4,721	4,355

New standards adopted

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

International Accounting Standards	Effective date
IFRS 1 and IAS 27 – Cost of investment in a subsidiary, jointly controlled entity or associate	1 January 2009
IFRS 2 – Amendment to IFRS 2 – Vesting conditions and cancellations	1 January 2009
IFRS 3 – Revised - Business combinations	1 July 2009
IFRS 8 – Operating segments	1 January 2009
IAS 1 – Presentation of financial statements (revised September 2007)	1 January 2009
IAS 23 – Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Revised – Consolidated and separate financial statements	1 July 2009
IAS 32 and IAS1 – Financial instruments puttable at fair value and obligations arising on liquidation	1 January 2009
IAS 39 – Eligible hedged items	1 October 2009
Improvements in IFRS	Various
International Financial Reporting Interpretive Committee (IFRIC)	
IFRIC 12 – Service Concession arrangements	1 January 2008
IFRIC 13 – Customer loyalty programmes	1 July 2009
IFRIC 15 – Agreements for the construction of real estate	1 January 2009
IFRIC 16 – Hedges of a new investment in a foreign operation	1 October 2009
IFRIC 17 – Distributions of non-cash assets to owners	1 July 2009
IFRIC 18 – Transfers of assets from customers	1 July 2009

IFRS 8 - this standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Directors do not consider that this statement will have an impact on reported profits or the balance sheet.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 uncollectible.

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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, before unrealised foreign currency gains and losses 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 to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to allow assessment of trends in financial performance.

Use of estimates

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

The key figures in the accounts that are most sensitive to such 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.

3 SEGMENTAL ANALYSIS (continued)

(i) By business segment

	Foundries		Engineering		Total	
	2009	2008	**2009**	2008	**2009**	2008
	£000	£000	**£000**	£000	**£000**	£000
Revenue						
Sales	**33,217**	32,800	**6,723**	7,167	**39,940**	39,967
Profit						
Segment profit	**723**	1,079	**260**	671	**983**	1,750
Shared costs					**(523)**	(427)
Exceptional items					**(446)**	(494)
Operating profit					**14**	829
Net finance (costs)/income					**(201)**	81
Unrealised foreign exchange loss					**(311)**	(325)
(Loss)/profit before tax					**(498)**	585
Tax (expense)/credit					**(351)**	9
(Loss)/profit for the year					**(849)**	594
Net assets						
Segmental assets	**14,968**	16,407	**5,717**	5,592	**20,685**	21,999
Segmental liabilities	**(4,150)**	(6,717)	**(2,537)**	(2,097)	**(6,687)**	(8,814)
Segmental net assets	**10,818**	9,690	**3,180**	3,495	**13,998**	13,185
Unallocated net liabilities					**(4,537)**	(1,496)
Total net assets					**9,461**	11,689
Movements in fixed assets						
Capital additions						
Property, plant and equipment (note 13)	**1,495**	1,499	**230**	80	**1,725**	1,579
Software (note 14)	**135**	14	**89**	–	**224**	14
Development costs (note 14)	**153**	–	**31**	–	**184**	–
Depreciation and amortisation						
Property, plant and equipment (note 13)	**(870)**	(884)	**(188)**	(220)	**(1,058)**	(1,104)
Software (note 14)	**(29)**	(38)	**(16)**	(4)	**(45)**	(42)
Development costs (note 14)	**(29)**	(26)	**(23)**	(20)	**(52)**	(46)

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

(ii) By geographical segment

	2009	2008
	£000	£000
Revenue by location of customer		
United Kingdom	**30,666**	32,050
Rest of Europe	**7,428**	6,508
Other countries	**1,846**	1,409
	39,940	39,967

4 OTHER OPERATING EXPENSES

	2009 £000	2008 £000
Distribution costs	**1,328**	1,389
Administration and selling expenses	**4,369**	4,121
Operating expenses before exceptional items	**5,697**	5,510
Exceptional items (note 12)	**446**	494
Operating expenses	**6,143**	6,004

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Group during the year was:	2009 Number	2008 Number
Management and administration	**87**	85
Production	**377**	387
Total employees	**464**	472

The aggregate employment costs of these employees including severance costs in wages and salaries of £253,000 (2008: £54,000) were as follows:-

	2009 £000	2008 £000
Wages and salaries	**12,086**	12,259
Social security costs	**1,200**	1,329
Other pension costs	**366**	473
Share based payment expense	**12**	27
	13,664	14,088

Directors' emoluments summary	2009 £000	2008 £000
Directors' emoluments	**533**	522
Aggregate gains made by directors on exercise of options	**–**	4
Share based payment charge of options granted to directors (see note 20)	**12**	27
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 19.

6 FINANCE COSTS AND FINANCE REVENUE

	2009 £000	2008 £000
Finance costs		
Bank overdraft interest payable	**(162)**	(68)
Finance cost of pensions (see note 23)	**(39)**	–
	(201)	(68)
Finance revenue		
Finance revenue from pensions (see note 23)	**–**	149
	–	149

7 OPERATING PROFIT

This is stated after charging/(crediting):	2009 £000	2008 £000
Profit on disposal of fixed assets	**(11)**	(471)
Depreciation of owned assets	**1,058**	1,104
Amortisation of software	**45**	42
Amortisation of development costs	**52**	46
Net foreign currency gain	**(269)**	(31)
Cost of inventories recognised as an expense	**14,610**	15,252
Exceptional severance payments and related costs (note 12)	**253**	–
Stock written down	**57**	97
Reversal of prior year inventory provisions	**–**	(7)
Auditors' remuneration:		
Group audit fees	**28**	25
Audit fees in respect of subsidiaries	**47**	45
Interim review fees	**5**	5
Taxation advice fees	**11**	8
Research and development expenditure (excluding capitalised development: note 14)	**56**	81
Rentals under operating leases:		
Hire of plant and equipment	**50**	108
Other	**370**	317

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

	2009 £000	2008 £000
Current tax:		
U.K. Corporation tax at 28% (2008: 30%) based on taxable profit for the year	**–**	–
Amounts under/(over) provided in prior years	**5**	(20)
	5	(20)
Deferred Taxation:		
Movement in the year (note 18)	**68**	385
Amounts under/(over) provided in prior years	**3**	(170)
Less element of movement shown in the Statement of Recognised Income and Expense	**275**	(204)
	346	11
Tax expense/(credit) reported in the consolidated income statement	**351**	(9)

	2009 £000	2008 £000
Reconciliation of total tax charge		
(Loss)/profit on ordinary activities before tax	**(498)**	585
Corporation tax (credit)/expense at standard rate of 28% (2008: 30%) on (loss)/profit before tax	**(139)**	175
Adjusted by the effects of:-		
Expenses/(income) not deductible for tax purposes	**11**	(15)
Timing differences		
– change of taxation rate	**–**	21
– abolition of IBAs (see note 18)	**471**	–
Amounts under/(over) provided in prior years		
– corporation tax	**5**	(20)
– deferred tax	**3**	(170)
Total tax expense/(credit) reported in the income statement	**351**	(9)

9 DIVIDENDS PAID AND PROPOSED

	2009 £000	2008 £000
Paid equity dividends on ordinary shares		
2008 final dividend of 8.00p per share (2007: 8.00p per share)	**595**	595
2009 interim dividend of 1.2p per share (2008: 3.85p per share)	**89**	286
	684	881
Proposed final dividend subject to shareholder approval		
2009 final dividend of 0.00p per share (2008: 8.00p per share – not recognised as a liability at 31 March 2008)	**–**	595

10 PARENT COMPANY TRANSFER TO RESERVES

The profit dealt with in the accounts of the parent company was £989,000 (2008: £1,253,000).

After dividends, the profit transferred to reserves was £305,000 (2008: £373,000).

Net income in respect of the funding of the closed defined benefit pension scheme of £707,000 was transferred from reserves (2008: £525,000 transferred to 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.

	2009 £000	2008 £000
(Loss)/earnings for basic earnings per share	**(849)**	594
Operating exceptionals	**446**	494
Taxation effect of operating exceptionals	**(125)**	(190)
Unrealised foreign currency loss	**311**	325
Taxation effect of unrealised foreign currency loss	**(87)**	(99)
Deferred tax effect of the abolition of IBAs included in exceptional items (see note 18)	**471**	–
Earnings for underlying earnings per share	**167**	1,124

	2009 000	2008 000
Weighted average number of ordinary shares	**7,438**	7,432
Adjustment to reflect shares under options	**508**	132
Weighted average number of ordinary shares – fully diluted	**7,946**	7,564

12 EXCEPTIONAL ITEMS

	2009 £000	2008 £000
Severance costs	**(253)**	–
Profit on disposal of property, plant and equipment	**–**	468
Legal costs	**(193)**	(897)
Inventory write down	**–**	(65)
	(446)	(494)
Taxation		
– tax effect of operating exceptionals	**125**	190
– abolition of IBAs (see note 18)	**(471)**	–
	(346)	190

Severance costs relate to redundancies incurred following the downturn in demand as advised in the Group's trading update issued on 18 November 2008.

Legal costs relates to the final costs of settling the claim for alleged nuisance which has been noted in the last two years accounts. This together with an amount provided at 31 March 2008, comprises the Group's own legal expenses plus the cost of settlement with the claimants and their lawyers.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 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
Additions	19	1,572	134	1,725
Disposals	–	(70)	(102)	(172)
At 31 March 2009	**5,175**	**24,561**	**661**	**30,397**
Depreciation				
At 1 April 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
Charge for year	122	822	114	1,058
Disposals	–	(55)	(69)	(124)
At 31 March 2009	**1,434**	**19,597**	**398**	**21,429**
Net book value				
At 31 March 2009	**3,741**	**4,964**	**263**	**8,968**
At 31 March 2008	3,844	4,229	276	8,349

Net book value of land and buildings comprises:-	2009 £000	2008 £000
Freehold	**3,728**	3,831
Short leasehold (leasehold improvements)	**13**	13
	3,741	3,844

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2007	1,635	36	118	1,789
Additions	35	25	19	79
Disposals	–	–	(46)	(46)
At 31 March 2008	1,670	61	91	1,822
Additions	–	10	21	31
Disposals	–	(25)	(19)	(44)
At 31 March 2009	**1,670**	**46**	**93**	**1,809**
Depreciation				
At 1 April 2007	621	27	29	677
Charge for year	30	5	19	54
Disposals	–	–	(21)	(21)
At 31 March 2008	651	32	27	710
Charge for year	28	7	17	52
Disposals	–	(25)	(7)	(32)
At 31 March 2009	**679**	**14**	**37**	**730**
Net book value				
At 31 March 2009	**991**	**32**	**56**	**1,079**
At 31 March 2008	1,019	29	64	1,112

	Group £000	Company £000
Freehold land included above not subject to depreciation amounted to:		
2009	**743**	**743**
2008	743	743

14 INTANGIBLE ASSETS

	Group		Company	
	2009 £000	2008 '000	**2009 £000**	2008 '000
Goodwill	**201**	201	**–**	–
Software	**208**	29	**3**	6
Development costs	**281**	149	**–**	–
	690	379	**3**	6

14 INTANGIBLE ASSETS (continued)

Goodwill	£000
Cost	
At 1 April 2007	201
Additions	–
At 31 March 2008	201
Additions	–
At 31 March 2009	**201**
Impairment	
At 1 April 2007, 31 March 2008 and 31 March 2009	–
Net Book Value	
At 31 March 2009	**201**
At 31 March 2008	201

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 annual plan, extrapolated for 4 years at zero annual growth. The key variables impacting the cashflow in the plan are sales and gross margin. The sales level assumes no further deterioration in the commercial property market and gross margins are assumed to be maintained at the levels achieved in the last year.
- Cashflows are discounted at a rate of 7%, which is considered to be an appropriate benchmark for evaluating future capital proposals.

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. A 40% compound reduction in annual sales would result in a value equal to the carrying value. A 20% reduction in gross margin would result in value equal to the carrying value.

Software	Group £000	Company £000
Cost		
At 1 April 2007	322	12
Additions	14	1
At 31 March 2008	336	13
Additions	224	–
At 31 March 2009	**560**	**13**
Amortisation/impairment		
At 1 April 2007	265	5
Charge for the year	42	2
At 31 March 2008	307	7
Charge for year	45	3
At 31 March 2009	**352**	**10**
Net Book Value		
At 31 March 2009	**208**	**3**
At 31 March 2008	29	6

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

14 INTANGIBLE ASSETS (continued)

Development costs capitalised	Group £000	Company £000
Cost		
At 1 April 2007	229	–
Additions	–	–
At 31 March 2008	229	–
Additions	184	–
At 31 March 2009	**413**	**–**
Amortisation/impairment		
At 1 April 2007	34	–
Charge for year	46	–
At 31 March 2008	80	–
Charge for year	52	–
At 31 March 2009	**132**	**–**
Net Book Value		
At 31 March 2009	**281**	**–**
At 31 March 2008	149	–

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	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Raw materials	**1,329**	1,760	**–**	–
Work in progress	**2,325**	1,352	**–**	–
Finished goods	**1,424**	1,504	**–**	–
	5,078	4,616	**–**	–

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Trade receivables	**5,520**	8,048	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**3,457**	4,096
Other receivables	**111**	161	**106**	7
Prepayments	**373**	510	**34**	29
	6,004	8,719	**3,597**	4,132

16 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Sterling	**4,684**	6,855	**–**	–
Euro	**836**	1,193	**–**	–
	5,520	8,048	**–**	–

Out of the carrying amount of trade receivables of £5,520,000 (2008: £8,048,000), £1,328,000 (2008: £1,795,000) 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 2009 trade receivables at a nominal value of £238,000 (2008: £171,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
At 1 April	**171**	207	**–**	–
Charge for year	**130**	76	**–**	–
Amounts written off	**(63)**	(112)	**–**	–
At 31 March	**238**	171	**–**	–

As at 31 March 2009, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£000	£000	£000	£000	£000	£000	£000
2009	**5,520**	**4,565**	**729**	**164**	**62**	**–**	**–**
2008	8,048	5,646	1,670	390	132	83	127

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.

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Debtors where external credit ratings have been sought	**2,040**	1,353	**–**	–
Debtors where only internal credit assessments have been made	**3,480**	6,695	**–**	–
	5,520	8,048	**–**	–

Of the balance in respect of counterparties with internal ratings nil% (2008: nil%) is in respect of new customers, and 100% (2008: 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	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
UK corporation tax	**–**	5	**334**	469

17 CURRENT LIABILITIES

Financial liabilities	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Bank overdraft	**3,258**	1,031	**1,225**	1,275

The overdraft is held with HSBC Bank plc as part of the Group facility of £4,500,000, is secured on the assets of the business, is repayable on demand and is renewable in June 2010. Interest is payable at 2.75% (2008:1%) over base rate.

Trade and other payables	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade creditors	**4,439**	5,478	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**3,350**	2,701
Other taxation and social security	**397**	746	**21**	17
Other creditors	**846**	765	**1**	426
Accruals	**351**	682	**58**	122
Fair value of derivative forward contracts	**581**	480	**–**	–
	6,614	8,151	**3,430**	3,266

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.

Provisions	Legal costs £000	Dilapidations £000	Total £000
As at 31 March 2007	–	–	**–**
New provisions	660	–	**660**
As at 31 March 2008	660	–	**660**
New provisions	–	48	**48**
Utilised	(660)	–	**(660)**
As at 31 March 2009	**–**	**48**	**48**

Legal Costs
Provision utilsed against the costs of the nuisance claim noted in last years financial statements.

Dilapidations
Provision in respect of dilapidations on leasehold property.

18 NON CURRENT LIABILITIES

	Group 2009 £000	Group 2008 (Restated*) £000	Company 2009 £000	Company 2008 (Restated*) £000
Intra-group balances	**–**	–	**66**	66

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

18 NON CURRENT LIABILITIES (continued)

Provisions for liabilities

	Group		Company	
	2009	2008 (Restated*)	**2009**	2008 (Restated*)
	£000	£000	**£000**	£000
Deferred taxation	**340**	151	**41**	11

Deferred tax liabilities

	2009		2008	
	Amount not provided	**Amount provided**	Amount not provided	Amount provided (Restated*)
Group liabilities	**£000**	**£000**	£000	£000
Temporary differences re capital allowances	**–**	**248**	–	59
Capital gains rolled over	**–**	**92**	–	92
	–	**340**	–	151

	2009		2008	
	Amount not provided	**Amount provided**	Amount not provided	Amount provided (Restated*)
Company liabilities	**£000**	**£000**	£000	£000
Temporary differences re capital allowances	**–**	**41**	–	11
Capital gains rolled over	**–**	**–**	–	–
	–	**41**	–	11

Deferred tax assets

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Temporary differences re capital allowances	**116**	214	**–**	–
Temporary differences re pension scheme deficit	**512**	302	**512**	302
Other temporary differences	**181**	176	**67**	67
	809	692	**579**	369

Other temporary differences include a deferred tax asset of £85,000 (2008: £85,000), recognised in respect of carried forward trading losses on the basis that there are forecasts of future taxable profits against which these losses can be offset.

Deferred taxation

	Group		Company	
	2009	2008 (Restated*)	**2009**	2008 (Restated*)
Movement in net Deferred Taxation during the year	**£000**	£000	**£000**	£000
Net (asset)/liability brought forward (Restated*)	**(541)**	(755)	**(359)**	(750)
Re pension provision movement	**(209)**	347	**(209)**	347
Re special pension contribution	**–**	150	**–**	150
Re rolled over gain	**–**	98	**–**	–
Re abolition of IBAs (see below)	**471**	–	**43**	–
Movement on other temporary differences	**(190)**	(387)	**(13)**	(105)
Restatement on change of deferred tax rate	**–**	6	**–**	(1)
	(469)	(541)	**(538)**	(359)

The abolition of Industrial Buildings Allowances (IBAs) in the Finance Act 2008, has resulted in a deferred tax charge of £471,000. This has been included in exceptional items within the Consolidated Income Statement.

* Restated for deferred tax, see note 2.

19 SHARE CAPITAL

	2009 £000	2008 £000
Authorised		
9,000,000 (2008: 9,000,000) Ordinary shares of 25p	**2,250**	2,250
Allotted, called up and fully paid		
7,437,658 (2008: 7,437,658) Ordinary shares of 25p	**1,859**	1,859

During the year no shares (2008: 22,000) were issued to satisfy the exercise of options under the executive share option scheme.

No share options lapsed (2008: Nil).

837,071 options were granted (2008: Nil) and no options were surrendered (2008: Nil).

Options outstanding at 31 March 2009 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	**58,207**	**0.0p**	02.07.2011 - 02.07.2018
	150,306	**163.0p**	02.07.2012 - 02.07.2018
	150,306	**163.0p**	02.07.2013 - 02.07.2018
	150,305	**163.0p**	02.07.2014 - 02.07.2018
	327,947	**0.0p**	19.12.2011 - 19.12.2012
Outstanding at 31 March 2009	**1,378,481**		

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 prior to 19 December 2008 granted nil cost options under an Enterprise Management Incentive 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. After 19 December 2008 option grants were not made under EMI scheme and vest 3 years from grant and expire after a further year.

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.

20 SHARE BASED PAYMENTS (continued)

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 22,000 options granted before 7 November 2002) outstanding during the year were as follows:

	No. of options	Exercise price	Weighted average Remaining contractual life (years)
At 31 March 2007	**519,410**	**151.0p**	**9.6**
Granted	–	–	–
Lapsed	–	–	–
Surrendered	–	–	–
At 31 March 2008	**519,410**	**151.0p**	**8.6**
Granted	**837,071**	**87.8p**	**7.6**
Exercised	–	–	–
Lapsed	–	–	–
At 31 March 2009	**1,356,481**	**112.0p**	**7.6**

Based on the following assumptions at 31 March 2009, the total fair value of options was £142,000, of which £12,000 was charged to the income statement (2008: charge of £27,000). The fair value of options granted in the year was £118,000 (2008: £nil). The exercise price of options range from nil p to 231p.

	2009	2008
Share price at 31 March 2009	**46.5p**	158.5p
Expected volatility	**30.0%**	30.0%
Expected life	**4.6 years**	4.8 years
Risk free rate	**3.0%**	3.0%
Expected dividend yield	**7.7%**	7.5%

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 38.5p and 173p during the year to 31 March 2009.

21 STATEMENT OF CHANGES IN EQUITY

Group	Share capital £000	Capital redemption reserve £000	Share premium account £000	Retained earnings (Restated*) £000	Attributable to equity holders of the parent £000
Balance at 1 April 2007	1,854	109	828	8,594	11,385
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 1 April 2008	1,859	109	862	8,859	11,689
Total recognised income and expense for the year to 31 March 2009	–	–	–	(1,556)	(1,556)
Dividends paid (note 9)	–	–	–	(684)	(684)
Share based payments	–	–	–	12	12
Balance at 31 March 2009	**1,859**	**109**	**862**	**6,631**	**9,461**

Company	£000	£000	£000	£000	£000
Balance at 1 April 2007	1,854	109	828	3,797	6,588
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 1 April 2008	1,859	109	862	4,721	7,551
Total recognised income and expense for the year to 31 March 2009	–	–	–	282	282
Dividends paid (note 9)	–	–	–	(684)	(684)
Recognition of share based payments	–	–	–	12	12
Balance at 31 March 2009	**1,859**	**109**	**862**	**4,331**	**7,161**

* Restated for deferred tax, see note 2

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

	£000
Shares in subsidiary undertakings	
Cost at 1 April 2008	**7,159**
Addition	**1,000**
Cost at 1 April 2009	**8,159**

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 2009 was £366,000 (2008: £473,000) plus £39,000 of financing cost (2007: £149,000 income).

The pension cost for the defined benefit scheme, providing benefits based on final salary 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 £366,000 (2008: £418,000). 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 2009	At 31 March 2008	At 31 March 2007
Rate of increase in salaries	**n/a**	n/a	2.9%
Rate of increase of pensions in payment – post 1997 accrual only	**3.1%**	3.6%	2.9%
Discount rate	**7.0%**	6.1%	5.2%
Inflation assumption	**3.1%**	3.6%	2.9%

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.

		2009 Years	2008 Years
Current pensioners at 65	– male	**20.3**	20.3
	– female	**23.1**	23.1
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 2010 are £257,700.

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 2009		As at 31 March 2008	
	Rate of return %	**Value £000**	Rate of return %	Value £000
Equities	**7.55**	**4,909**	7.50	7,631
Gilts	**4.05**	**1,767**	4.00	1,653
Bonds	**7.00**	**2,160**	4.70	2,162
Property	**7.05**	**981**	7.00	1,273
Market value of assets net of insured annuities		**9,817**		12,719
Actuarial value of liability		**(11,645)**		(13,797)
Recoverable deficit in scheme		**(1,828)**		(1,078)
Related deferred tax asset		**512**		302
Net pension liability		**(1,316)**		(776)

Recognised in the income statement	**Year to 31 March 2009 £000**	Year to 31 March 2008 £000
Current service cost	–	55
Total charge disclosed in operating profit	–	55

Recognised as finance (cost)/income	**Year to 31 March 2009 £000**	Year to 31 March 2008 £000
Expected return on pension scheme assets	**777**	911
Interest on pension liabilities	**(816)**	(762)
Net return disclosed in finance (cost)/income	**(39)**	149

Analysis of amount recognised in consolidated Statement of Recognised Income and Expense ("SORIE")	**Year to 31 March 2009 £000**	Year to 31 March 2008 £000
Actual return less expected return on assets	**(3,118)**	(1,856)
Other actuarial gain on liabilities	**2,136**	2,585
Actuarial (loss)/gain recognised in the SORIE	**(982)**	729
Cumulative actuarial (losses)/gains recognised in the SORIE	**(165)**	817

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the Group statement of recognised income and expense is £(165,000) (2008: £817,000). 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 2009 £000	Year to 31 March 2008 £000
Actual loss on plan assets	**(2,328)**	(945)

Movement in deficit during the year	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Deficit in scheme at beginning of year	**(1,078)**	(2,235)
Movement in year:		
Current service cost	**–**	(55)
Regular contributions	**271**	334
Net expected return on assets	**(39)**	149
Actuarial (loss)/gain	**(982)**	729
Deficit in scheme at end of year	**(1,828)**	(1,078)

Movement in scheme assets	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Fair value at beginning of year	**12,719**	13,952
Expected return on scheme assets	**777**	911
Actuarial losses	**(3,118)**	(1,856)
Employer contributions	**271**	334
Member contributions	**–**	46
Benefits paid	**(832)**	(668)
Fair value at end of year	**9,817**	12,719

Movement in scheme liabilities	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Benefit obligation at start of year	**13,797**	16,187
Current service cost	**–**	55
Interest cost	**816**	762
Scheme members' contributions	**–**	46
Actuarial loss	**(2,136)**	(2,585)
Benefits paid	**(832)**	(668)
Benefit obligation at end of year	**11,645**	13,797

Experience gains and losses		Year to 31 March 2009	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006	Year to 31 March 2005
Difference between expected and actual return	**£'000**	**(3,118)**	(1,856)	(38)	1,285	347
on scheme assets	**% of assets**	**(31.8)%**	(14.6)%	(0.3)%	9.4%	3.4%
Experience gains/(losses) on scheme liabilities	**£'000**	**–**	600	–	–	(145)
	% of liabilities	**–**	4.3%	–	–	(1.1)%
Other gains/(losses) on scheme liabilities	**£'000**	**2,136**	1,985	(2,094)	(144)	514
	% of liabilities	**18.3%**	14.4%	12.9%	1.0%	5.9%
Net (losses)/gains	**£'000**	**(982)**	729	(2,132)	1,141	716
	% of liabilities	**(8.4)%**	5.3%	13.2%	8.0%	5.2%

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 2009 amounted to £2,034,000 (2008: £nil).

25 FINANCIAL COMMITMENTS

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Capital expenditure				
Contracted for but not provided in the accounts	**46**	102	**–**	–

Lease commitments

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

	Group	
	2009	2008
	£000	£000
Future minimum payments due:		
Not later than one year	**315**	–
After one year but not more than five years	**1,084**	146
After five years	**813**	1,962
	2,212	2,108

Leases on land and buildings comprise the lease for the Leicester foundry (£271,000 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 liabilities denominated in Euros of £442,000 (2008: £802,000 asset) . If these contracts were not in place and the Euro moved by plus or minus 5% the corresponding gain/loss would be £213,000 (2008: £230,000).

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	Contract value at year end rate £'000	Loss £'000
At 31 March 2009	**5,250**	**1.2258**	**4,283**	**1.0794**	**4,864**	**(581)**
At 31 March 2008	6,000	1.3941	4,304	1.2543	4,784	(480)

26 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

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 £17,000 reduction in profit before tax (2008: £5,000). An equivalent decrease in rates would increase profit before tax by £17,000 (2008: £5,000).

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

Cash and cash equivalents/(bank overdraft)	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Bank overdraft (Sterling denominated)	**(1,974)**	(640)	**(1,225)**	(1,275)
Bank overdraft (Euro denominated)	**(1,284)**	(391)	**–**	–
	(3,258)	(1,031)	**(1,225)**	(1,275)

Balances outstanding on the Group's overdraft facility 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 £130,000 (2008: £76,000).

Liquidity risk

The Group aims to mitigate liquidity risk by managing the cash generation of its operating units, and applying cash generation targets across the Group. Investment is carefully controlled, with authorisation limits operating up to Group board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating and operate within its existing facilities.

The Group's funding strategy is to maintain flexibility in managing its day to day working capital needs through the use of an overdraft facility, and to fund acquisitions and significant capital projects through the use of longer term funding including bank loans and equity.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2009 and 31 March 2008.

	On demand	Less than 3 months	3 to 12 months	Total
At 31 March 2009				
Bank overdraft	3,258	–	–	3,258
Trade and other payables	–	4,434	5	4,439
	3,258	**4,434**	**5**	**7,697**
At 31 March 2008				
Bank overdraft	1,031	–	–	1,031
Trade and other payables	–	5,473	5	5,478
	1,031	5,473	5	6,509

Capital management

The Group defines capital as the total equity of the Group. The Group 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 2009 the net debt ratio was 34% (2008: 8%).

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	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Short term employee benefits	**1,156**	1,106	**533**	522
Share based payments	**12**	27	**12**	27
Pension contributions	**71**	65	**33**	29
	1,239	1,198	**578**	578

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
Solicitors	DLA Piper Birmingham
Stockbrokers	Charles Stanley Securities 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 Thursday 23 July 2009 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 2009.
(Resolution 1)

2. To declare no Final Dividend for the year ended 31 March 2009.
(Resolution 2)

3. To re-elect as a Director Mark Bache 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 Alan Howarth 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 2009.
(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 £618,805 provided that such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2010, 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 and pursuant to section 95 of the Companies Act 1985 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 2010, 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 (exclusive of expenses) 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 2010 (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)

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

That with effect on and from 1 October 2009:

9.1 the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's articles of association; and

9.2 the draft regulations produced to the meeting and for the purposes of identification signed by the chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

(Resolution 9)

10. To consider and, if thought fit, pass the following as an ordinary resolution:

That, with effect on and from 1 October 2009 and subject to the passing of resolution 9, the Directors be and are hereby authorised to offer the holders of Ordinary Shares of 25p each in the Company (subject to such exclusions or other arrangements as the Directors may consider necessary or expedient in relation to any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange) the right to elect to receive new Ordinary Shares instead of cash in respect of all or part of any dividend either declared by the Directors as an interim dividend at any time or as a final dividend approved by the shareholders in general meeting.

(Resolution 10)

By order of the Board

Mark Bache
Company Secretary
4 June 2009

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. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:

(a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

(b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (http://www.icsa.org.uk/) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

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

(a) copies of contracts of service of Directors with the Company or with any of its subsidiary undertakings; and

(b) a copy of the articles of association of the Company proposed to be adopted pursuant to Resolution 9 together with a table describing all the material changes proposed to be made to the Company's current articles of association.

Biographical details of all those directors who are offering themselves for re election at the meeting are set out on page 10 of the enclosed annual report and accounts.

An explanation of Resolutions 7, 8 and 10 is set out in the Report of the Directors on pages 10 to 11. An explanation of Resolution 9 is set out in the accompanying letter from the Chairman.

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

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