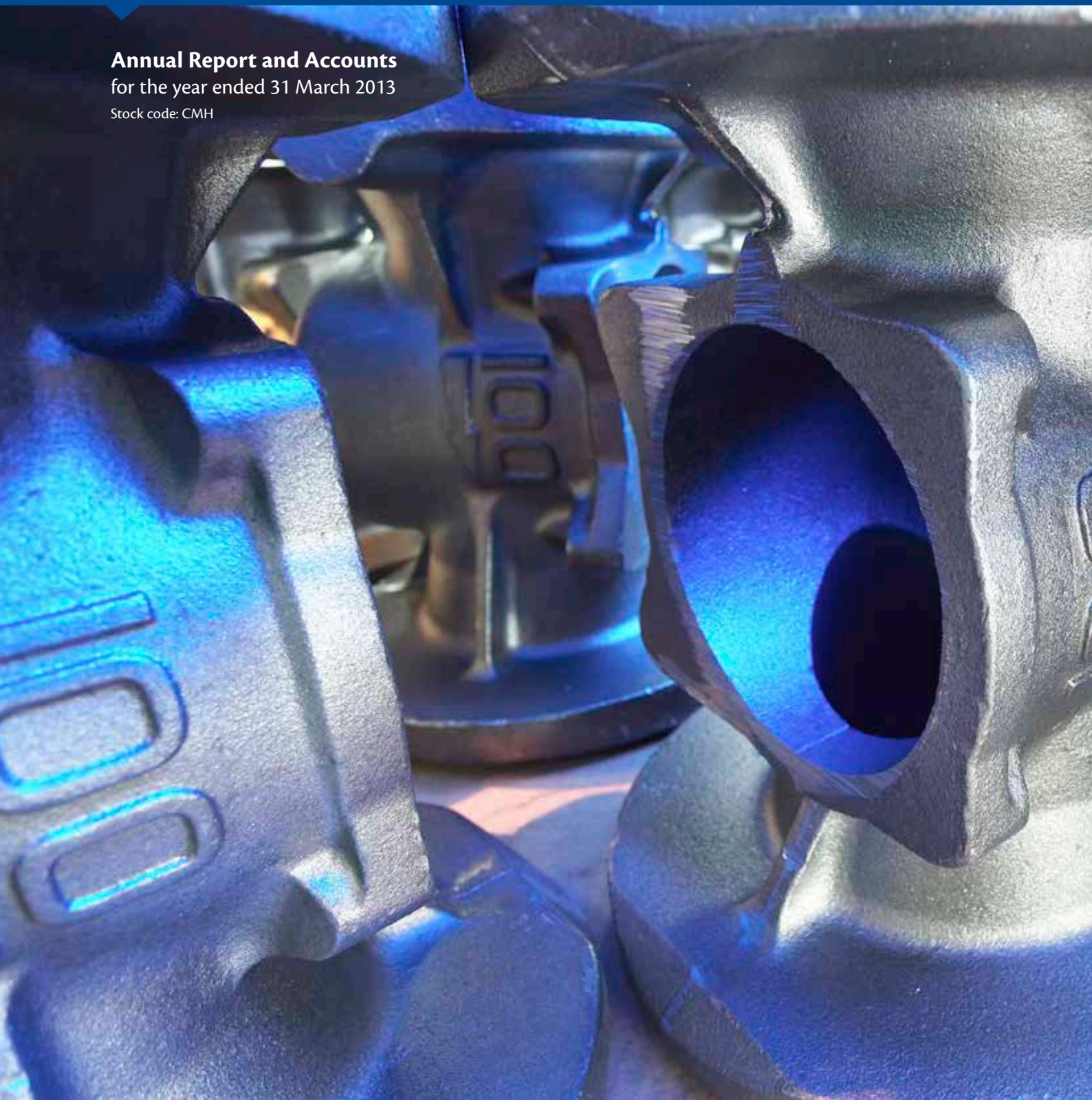


chamberlin plc

difficult things done well

Annual Report and Accounts
for the year ended 31 March 2013

Stock code: CMH



difficult things done well

Success in UK engineering has not been easy to achieve in recent years, but its requirements can be simply stated; winners must do difficult things and must do them well.

We define “difficult things” as activities with high engineering content delivering technically demanding products or processes. To take profitable advantage of them it is essential that a business is properly managed and performs well.

For more information please see our case studies on pages 7 and 9.

INVESTMENT PROPOSITION

- ▶ Operating in markets with high barriers to entry protected by process know-how or market regulation
- ▶ Operating across diversified markets with sales driven by the global engineering economy – 70% of sales are ultimately exported
- ▶ Growth opportunity in the turbocharger castings market benefiting from regulatory drivers and limited competition
- ▶ Strong, credible management team with a proven track record
- ▶ Significant capacity opportunity at modest investment costs
- ▶ Highly cash generative – positive operating cash flow for the last five years
- ▶ Strong balance sheet with low gearing
- ▶ Committed to a policy of progressive dividends
- ▶ Sustained Profitable Growth

Visit us online

For more information on Chamberlin Group operations please visit our website at

www.chamberlin.co.uk



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KEY POINTS

Results impacted by softening trading conditions, especially in H2

Continued strong cash generation from operations
£2.3m (2012: £2.4m)

Engineering Division (20% of Group sales) – sales increased and growth initiatives in place

Revenues of
£42.3m (2012: £45.5m)

Net borrowings reduced to
£0.98m (2012: £1.56m)
lowest year-end position since FY07

Tim Hair, Chief Executive, to step down from his role in May 2014 after seven years – search for new Chief Executive commenced, date of departure to be coordinated with appointment of a successor, to ensure smooth transition

Underlying operating profit* of
£1.3m (2012: £1.7m)
Statutory operating profit of
£1.1m (2012: £1.6m)

Proposed final dividend of
2.0p

Board expects softer conditions to remain in H1 but Group is well positioned as demand returns

Underlying diluted earnings per share* of
13.4p (2012: 16.5p)
Statutory diluted earnings per share of
9.6p (2012: 14.5p)

Foundry Division (80% of Group sales) – revenues affected by slowdown in demand but continued investment and strong focus on new business development

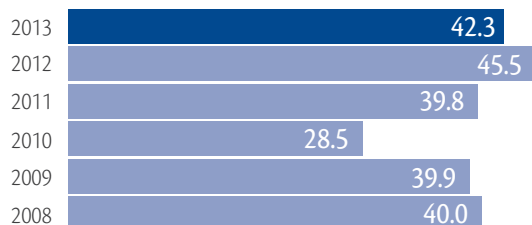
* figures are stated before Non-underlying items which represent ineffective hedge costs, exceptional items as disclosed in note 12, net financing costs on pension obligations, share-based payment costs and associated tax impact of these items.

HIGHLIGHTS

The Group's financial position is healthy and cash flows are good and we view prospects for the business over the long term very positively.

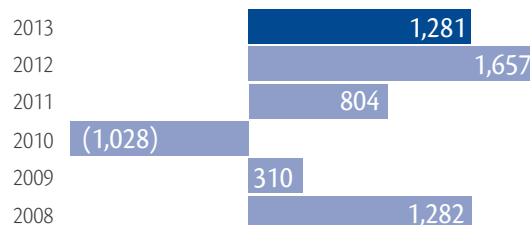
REVENUE (£m)

£42.3m



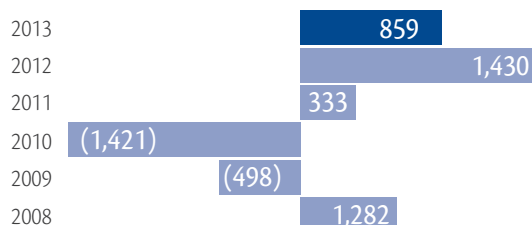
UNDERLYING PROFIT BEFORE TAX (£000)

£1,281



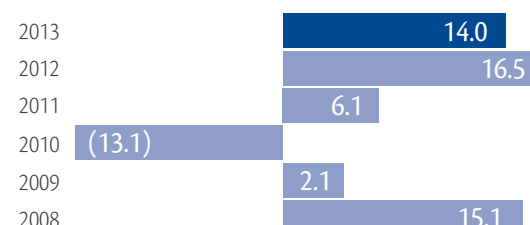
STATUTORY PROFIT BEFORE TAX (£000)

£859



UNDERLYING DILUTED EARNINGS PER SHARE (pence)

14.0p



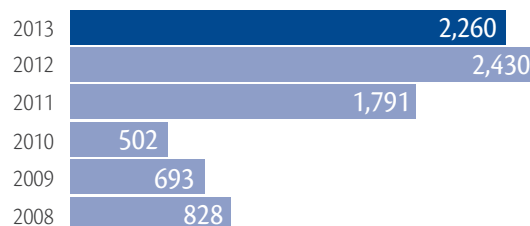
DIVIDENDS PER SHARE (pence)

3.25p



CASH GENERATED FROM OPERATIONS (£000)

£2,260



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CHAIRMAN'S STATEMENT

KEITH BUTLER-WHEELHOUSE



INTRODUCTION

Having joined Chamberlin on 1 March 2012, this report marks my first full year as Chairman. Over the financial year, the Group has contended with softening trading conditions in a number of sectors, especially in the second half of the financial year, which have adversely affected the Group's results for the year as a whole. Nonetheless, the slowdown in demand has been managed effectively as possible by the team and as we reported in our half year results statement, we have also continued to invest in the business and make operational changes which will support Chamberlin's growth prospects over the long term. In particular, we have refocused the way we approach our new business development, added new skills and expertise, and continued to seek improvements to operational processes and product profitability.

“Our goals are to generate top line sales growth as well as continuous operational development to improve efficiency and maintain tight cost controls, and therefore drive the Group's profitability.”

We are confident that Chamberlin is well placed to see out the near term challenges of the current economic cycle and notwithstanding the prevailing tough conditions, our focus remains on simultaneous achievement of top line sales growth and bottom line margin improvement.

RESULTS

Revenues for the year ended 31 March 2013 were down 7% to £42.3m (2012: £45.5m), with a slight softening of demand in the first half followed by a further slowdown in the second half of the financial year.

Underlying operating profit reduced to £1.3m (2012: £1.7m), with tight cost control limiting the impact of the revenue reduction. Gross margins decreased slightly to 19.2% (2012: 19.5%) however our internal calculation of variable contribution, which measures the margin achieved before fixed costs, shows continuing progression at 32.9% (2012: 32.5%, 2011: 31.6%). The underlying profit before tax was £1.3m (2012: £1.7m) and diluted underlying earnings per share was 13.4p (2012: 16.5p).

The statutory results show statutory operating profit at £1.1m (2012: £1.6m), statutory profit before tax at £0.9m (2012: £1.4m) and diluted statutory earnings per share at 9.6p (2012: 14.5p).

Chamberlin has a strong record of cash generation and working capital control and this remains evident in these results. Cash generation was only slightly down at £2.3m (2012: £2.4m) and once again was significantly above underlying operating profit, equating to 177% of operating profit. The strong cash generation enabled us to reduce net borrowing by 37% to £0.98m (2012: £1.56m), which is the lowest year-end position since March 2007.

We typically hold capital expenditure in line with depreciation. However, we are currently installing a new process in our Walsall foundry which will deliver attractive ongoing cost reductions. This investment will result in a one-off increase in capital expenditure in the new financial year to 31 March 2014 but we also expect to see immediate cost benefits.

Gearing reduced to 12% (2012: 17%) and Chamberlin continues to be financed by a £5.0m overdraft facility from HSBC.

DIVIDEND

Our strong balance sheet and reliable cash generation provides a good underpinning for the dividend and I am pleased to announce that the Directors are recommending the payment of a final dividend of 2.0p per share, to be paid on 26 July 2013 to shareholders on the register at 5 July 2013. This increases the total dividend for the year to 3.25p (2012: 3.0p).

THE BOARD

The Company announced today, after seven years as Chief Executive, Tim Hair has given notice that he will be stepping down from the Board and the Company next May 2014, or sooner, if an appropriate replacement is found before that date. The Board has commenced the search for Tim's successor and the date of Tim's departure will be coordinated with the appointment of the new Chief Executive to ensure a smooth transition.

The recruitment of a new Finance Director is in its final stages and until the appointment is formalised, Ian Poole, Group Financial Controller, has assumed responsibility for the day-to-day running of the finance function.

STRATEGY & OUTLOOK

The modernisation of Chamberlin has created significant capacity in our businesses, especially in our foundry operations, which can be utilised with only modest amounts of expenditure. Our growth strategy is therefore focused on taking advantage of this opportunity, utilising our technical expertise and the changes we have made over the year to enhance new business development. Our goals are to generate top line sales growth as well as continuous operational development to improve efficiency and maintain tight cost controls, and therefore drive the Group's profitability. The transition is still in its early stages, but I have been encouraged by initial progress.

Market conditions are weaker than a year ago and we expect the first half of the new financial year to be tough. Nonetheless, we believe that Chamberlin is in very good shape to make progress as the cycle improves, and we continue to invest in the business to support our long term commercial objectives.

The Group's financial position is healthy and cash flows are good and we view prospects for the business over the long term very positively.

Keith Butler-Wheelhouse

Chairman

21 May 2013

GROUP AT A GLANCE

OUR BUSINESS

PRODUCT AREAS

Chamberlin operates across five locations in the UK. The Foundry Division specialises in technically demanding castings in complex shapes and in specialist metallurgies.

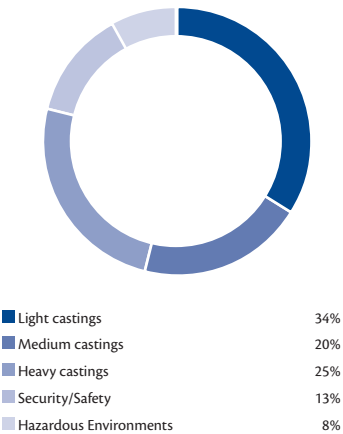
Work is allocated across its three foundry sites based on size and metallurgy as follows:

- Light castings based in Walsall produces castings up to 5kg in grey iron;
- Medium castings based in Leicester produce 5kg to 100kg castings in a wide variety of iron alloys;

- Heavy castings based in Scunthorpe make 100kg and 6 tonnes castings again in a wide variety of iron grades.

The two engineering businesses supply to regulated markets operating from two sites in the West Midlands.

REVENUE BY BUSINESS



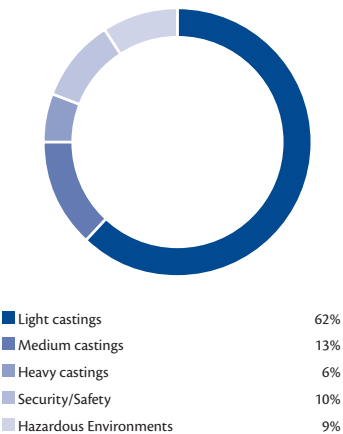
GLOBAL SALES

Engineering activity outside of the UK is a key driver of demand.

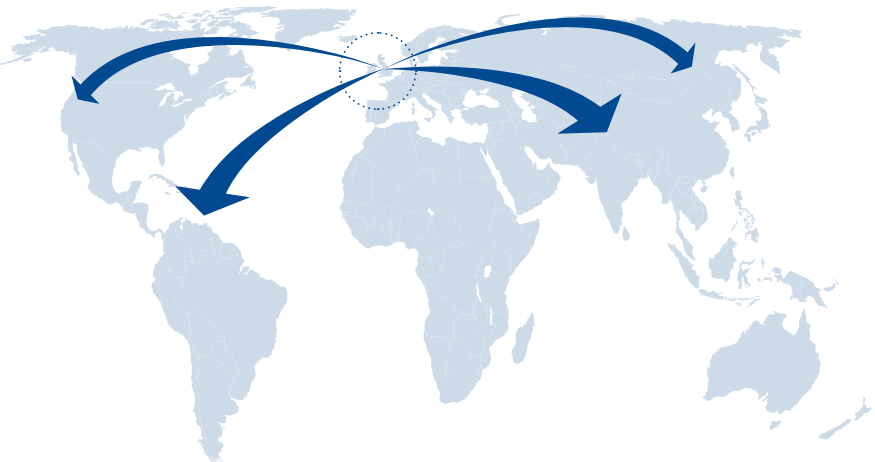
Approximately 70% of output is ultimately exported. Direct exports account for 30% of output with our customers located in Europe, America and Asia. Indirect exports, where Chamberlin businesses supply products to UK-based equipment manufacturers whose products are then shipped worldwide, account

for approximately 40% of our output. Against this 30% of sales are driven by demand from the UK economy. Global demand for engineered products is strong and our UK customers, which include companies such as Siemens, Howden, CAT, JCB and Tata Steel, are typically leaders in their sectors.

DIRECT EXPORTS



WORLDWIDE MARKETS



MARKETS SERVED



Passenger Car Turbos	21%	Hazardous Environments	8%
Commercial Diesel Turbos	5%	Mining & Quarrying	6%
Commercial Diesel	5%	Off Road Vehicles	5%
Safety/Security	13%	Power Generation	5%
Construction Equipment	15%	Process	1%
Hydraulics	9%	Other	7%

UK MANUFACTURING

Head office

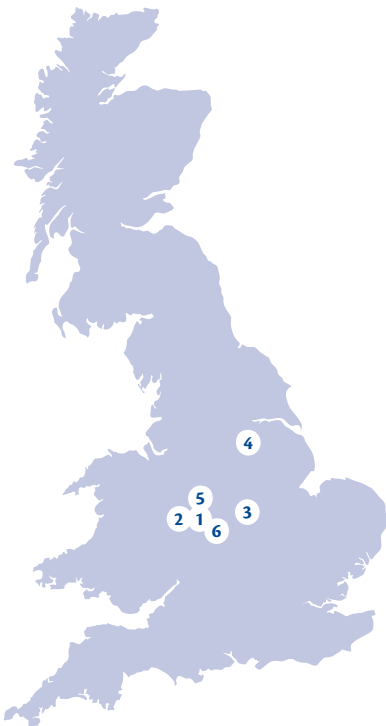
- 1. Walsall

Foundries

- 2. Chamberlin & Hill Castings, Walsall
- 3. Chamberlin & Hill Castings, Leicester
- 4. Russell Ductile Castings, Scunthorpe

Engineering

- 5. Exidor, Cannock
- 6. Petrel, Birmingham



Photograph: The Group supplies specialist lighting for hazardous and explosive environments



GROUP AT A GLANCE

OUR BUSINESS

FOUNDRY BUSINESS

The Foundries Division currently comprises Chamberlin & Hill Castings Ltd and Russell Ductile Castings Ltd.

CHAMBERLIN & HILL CASTINGS LTD

This subsidiary incorporates our Walsall and Leicester foundries with combined financial and sales functions. Walsall specialises in small castings with complex internal passages and has built a strong position in automotive turbochargers. Our Leicester foundry specialises in producing mid-size iron castings with complex metallurgy designed to give high strength, corrosion or wear resistance or low temperature capability and its expertise is relevant to many sectors.

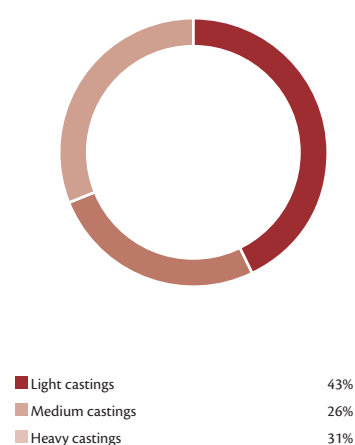
See case study on page 7

RUSSELL DUCTILE CASTINGS LTD

RDC is based in Scunthorpe and specialises in heavy castings for a wide variety of industries including power generation, oil & gas, steel and construction equipment. The majority of RDC customers are OEMs and the site is benefiting from the global demand for engineered products.

See case study on page 7

REVENUE BY BUSINESS

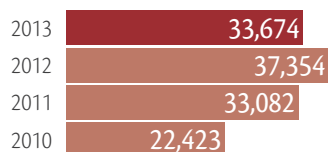


2013 HIGHLIGHTS

- Foundry sales down 10% in 2013.
- Profit impact limited to a £367,000 reduction by tight cost control.
- Significant capacity can be utilised with only modest expenditure.

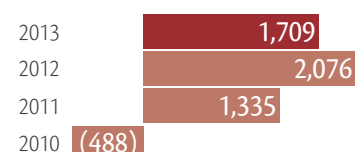
REVENUE (£000)

33,674



UNDERLYING OPERATING PROFIT (£000)

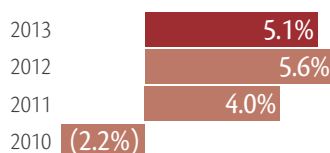
1,709



KEY PERFORMANCE INDICATORS

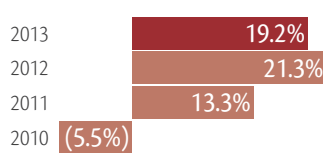
RETURN ON SALES

5.1%



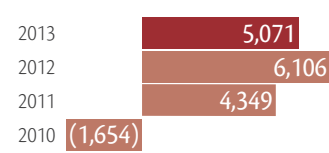
RETURN ON NET ASSETS

19.2%



OPERATING PROFIT PER EMPLOYEE (£)

5,071



CASE STUDY TURBOCHARGERS - LEICESTER

Chamberlin & Hill Castings has a proven track record as one of the few European foundries capable of supplying technically challenging turbocharger castings that consistently meet the automotive industry's exacting standards.

As a complement to the existing range of products made at our Walsall foundry, our Leicester facility is now manufacturing the "hot end" turbine cover for commercial diesel turbochargers. These castings have especially demanding dimensional requirements and have to be capable of operating

under extreme conditions due to the increased operating temperatures of modern, fuel efficient engines.

These parts can be manufactured in a wide range of alloys suitable for the differing, high temperature, demands of various applications. A range of designs, with single and twin exhaust volutes can be accommodated on the versatile mould lines, in weights ranging from below 5kg up to 30kg.

The commercial production of the hot end turbine cover has only been possible by utilising the automotive standard technical expertise built up at Walsall and building upon our existing strong relations with key customers.

Quick hitches

Chamberlin & Hill Castings is a long-standing supplier to the construction vehicle industry and has been manufacturing components and assemblies for this sector over many years. With the continuing drive in the market for improved performance through optimised weight and strength, we have worked in partnership with our customers to convert many products from fabrications to castings. One such component is the quick hitch, where we now manufacture and supply the full range of sizes – from a 7kg version which is half the size of this page to the heavy duty 70kg version which is the size of a car engine.

Other major off-road vehicle manufacturers are now turning to us to aid in the design and manufacture of cast versions of their critical components that are currently manufactured as complex, heavy fabrications. By using specialist ADI material we are able to produce castings that exceed the strength of the current steel fabrications at a considerably lower weight with the added advantage of increased wear resistance extending the service life.

Photograph: Quickhitch



CASE STUDY PRODUCT INNOVATION WITH OUR CUSTOMERS WINS NEW BUSINESS

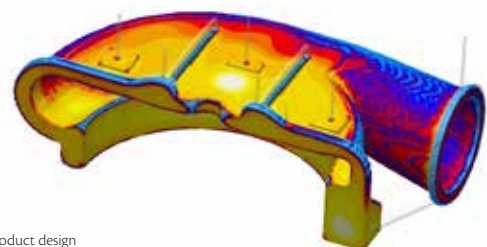
A new customer saw an opportunity in the market for a new type of large ventilation blower that would replace the need for oil and gas refineries to buy 2 smaller units.

Working in conjunction with our customer, our technical team designed a casting process capable of producing this world-first, highly complex blower.

Due to the size and weight of the moulding boxes involved, weighing in excess of 25 tonnes when fully loaded with sand, numerous production challenges were overcome. In particular we had to re-think the handling procedure of the moulding boxes and by splitting the moulding box depth in half and moulding the castings as three-part moulds we

were successfully able to manufacture a 7.2 tonne casting assembly from moulds measuring 4m x 2.4m x 2m, the largest ever produced at RDC, including the largest core ever made.

Our customer was delighted with the end casting and the new ventilation blower is fully assembled and destined for a Russian oil refinery. As a result of this success we expect repeat orders in the forthcoming years.



Photograph to the right: Solidification software aided product design

GROUP AT A GLANCE

OUR BUSINESS

ENGINEERING BUSINESS

The Engineering Division currently comprises Exidor Ltd and Petrel Ltd.

EXIDOR LTD

Based in Cannock, Staffordshire, Exidor is a long established and leading supplier of specialist emergency exit hardware, i.e. the crash bars fitted to fire escape doors that allow rapid opening in the event of an emergency. In 2011, it added door closers to its range, following the acquisition out of administration of the assets of Jebroon Ltd. Door closer production was fully integrated into the Cannock site by November 2011.

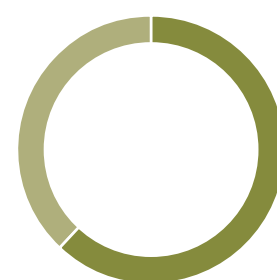
See case study on page 9

PETREL LTD

Petrel Ltd, based near the National Exhibition Centre to the East of Birmingham, concentrates on the development and production of certified lighting and control equipment for use in hazardous and explosive environments. This is a highly regulated market servicing a variety of sectors including the petrochemical and distilling industries.

See case study on page 9

REVENUE BY BUSINESS



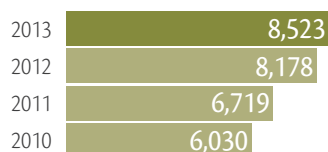
■ Exidor 62%
■ Petrel 38%

2013 HIGHLIGHTS

- Engineering sales up 4% in 2013.
- Driven by strong export sales at Petrel, up 18% in 2013.

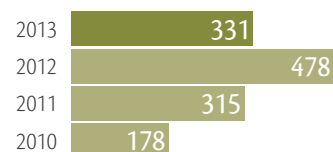
REVENUE (£000)

8,523



UNDERLYING OPERATING PROFIT (£000)

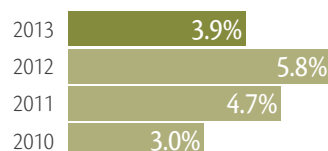
331



KEY PERFORMANCE INDICATORS

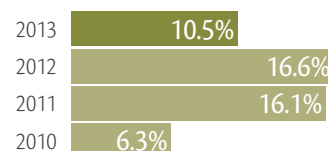
RETURN ON SALES

3.9%



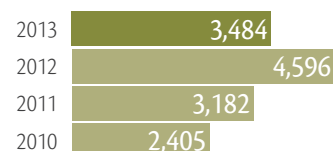
RETURN ON NET ASSETS

10.5%



OPERATING PROFIT PER EMPLOYEE (£)

3,484



CASE STUDY

EUROPE'S LARGEST URBAN SHOPPING CENTRE CHOOSES EXIDOR

Westfield Stratford City is Europe's largest urban shopping centre, incorporating retail, office, leisure and hotel facilities, cost approximately £1.45bn to build and occupies 1.9 million sq ft of retail and leisure space.

The site is on three levels, located close to the Olympic Stadium, and in planning the overall design of the centre, the architects have paid particular attention to visitor safety, particularly in the event of fire or when, in an emergency, it is paramount to evacuate the centre quickly and safely.

As Exidor is the brand leader in UK hardware manufacturing, the architect was keen to work in conjunction with us and specifically selected the Exidor 200/300 Series Emergency Exit Hardware throughout the centre in order to confidently meet all of the stringent requirements called for in the exit door hardware specification.

Certified to European safety standards, the stylish and yet robust 200/300 Series has been designed to provide the optimum in safety and security. This coupled with our market reputation for reliability and proactively engaging with the product specifier places us in a strong position to win future prestige orders.



Photograph above: Westfield shopping centre

CASE STUDY

PETREL LED

LED technology was first used in lighting applications to provide a reliable, low power solution for signalling and indication purposes.

Over recent years there has been rapid development of the technology as several companies have developed high power LEDs for use in commercial and industrial lighting to compete with traditional lamps such as Fluorescent or Metal Halide.

Petrel has already entered the LED market to provide customers with hazardous area lighting solutions that carry the benefits of longer life, lower maintenance and reduced energy consumption. Being solid state components LEDs are also less prone to damage and external shock, making them ideal for use in harsh environments. The technology continues to develop at a considerable pace and the second generation of Petrel LED products is already under development, with several new lines due for launch in 2013.

Photograph below: 7 series LED light



CASE STUDY

INVESTING FOR THE FUTURE

STRENGTHENING SUBSIDIARY MANAGEMENT

It has always been Chamberlin's policy to employ the right people for the right job at the right time. With our growth strategy focused on utilising our technical expertise to generate new business development and fill the significant capacity in our business, Chamberlin has invested in customer-focused commercial staff throughout the Group.

During the year three new Managing Directors for Russell Ductile Castings ("RDC"), Petrel and Exidor have been recruited to accelerate our new business development programme. They bring with them a strong sales and marketing background, significant experience of developing global export markets and a proven track record of leading business development programmes to deliver organic growth.

Chamberlin & Hill castings has built upon the extensive experience of the automotive and engineering sectors possessed by its Managing Director with the recruitment of a Commercial Director in order to further drive sales growth at Walsall and Leicester and fully take advantage of the opportunities presented by the new turbocharger original equipment manufacturers ("OEMs") that have entered the market and are building production capacity to supply 2014 and 2015 requirements.

Our technical departments at Leicester, RDC and Petrel have all been strengthened by the arrival of new technical leadership which possesses the necessary expertise to satisfy the technical challenges faced by designing new products to meet customer demands.

This strengthened commercial and technical expertise within the group, coupled with our existing dedicated finance personnel means we are well placed to achieve our goals of generating top line sales growth as well as continuous operational development to improve efficiency and maintain tight cost controls, and therefore drive the Group's profitability.

CHAMBERLIN GRADUATE SCHEME

For around 20 years there had been no national programme for the delivery of foundry specific skills and provision was now very patchy and inadequate. All foundries in the UK had issues relating to succession planning and sourcing relevant training and skills development. In 2012, Chamberlin recognised that there was an urgent need to increase the number of skilled castings engineers and craftsmen.

"In doing this scheme we have gained professional, high level problem solvers with enthusiasm and a state of the art, fresh way of thinking."

Our response was twofold: to work in conjunction with the industry professional body, the Institute of Cast Metals Engineers ("ICME") to help create a casting specific foundation degree qualification, and to create a company graduate scheme to directly train the next generation of casting engineers.

Our graduate scheme consisted of two different types of work placement. The first was a one-year work in industry placement for degree or post graduate students to gain industrial experience within the Group. The second was a two-year Professional Excellence & Leadership Development Programme for qualified graduates, with a view to permanent employment within the Group on successful completion of the programme.

Four placement students were recruited, two for each type of placement and were put to work on projects in the Walsall and Leicester foundries. The placement projects involved production technology, process engineering, metallurgical control, subcontractor assessment, machining, lead time matrix, costs and budgeting & vendor management systems.

In doing this scheme we have gained professional, high level problem solvers with enthusiasm and a state of the art, fresh way of thinking. The graduates have been heavily involved in key projects around the Group and are playing an active part in the new process implementation at Walsall as referred to in the Chairman's statement. They have brought vitality, a new insight into age old problems and have had a positive effect on the overall culture of the business.

The graduate scheme is something we will continue well into the future to ensure we have a steady supply of talent entering the Group.

Photographs opposite: Exidor 700 series multi-point locking security hardware used to protect critical infrastructure

Photograph below: RDC volute as described in the case study on page 7







PERFORMANCE

CHIEF EXECUTIVE'S REVIEW 14-17

CHIEF EXECUTIVE'S REVIEW

TIM HAIR



CHIEF EXECUTIVE'S REVIEW

The financial year to 31 March 2013 saw mixed trading conditions, with a slight softening of demand in the first half year followed by a further slowdown in the second half, particularly in the final months of the year. The slowdown was especially apparent in the power generation, quarrying and mineral processing sectors, and there was reduced order levels in turbocharger casings and housings. Although underlying demand remains subdued, our focus on business development is identifying new opportunities and I believe that our prospects for the medium term remain attractive.

FOUNDRIES

Chamberlin & Hill Castings ("CHC")

CHC comprises our foundries in Walsall and Leicester which, since 2009, we have operated as a single business under the control of a single management team.

Our foundry at Walsall produces small castings, typically below 3kg in weight, in mid-to-high volumes. It has well-established expertise in the development and production of castings with complex internal passages, where the foundry process is the only cost-effective means of volume production. A major market for the Walsall foundry is automotive turbochargers, where modern designs require careful alignment of cooling and lubrication passages to meet the increased performance demanded by modern engines. In past reports I have commented that legislation to reduce CO₂ emissions is promoting the introduction of smaller, turbocharged petrol engines and this technology shift is continuing. New turbocharger original equipment manufacturers ("OEMs") have entered the market and are building production capacity to supply 2014 and 2015 requirements and the existing players are defending their market share.

CHC has a long-standing relationship with BorgWarner, the global market leader in turbocharger manufacture, and in recent years we have added IHI Charging Systems, another major manufacturer, to the customer base, having developed a family of castings for the Company's turbochargers. The production launch of this family of castings started in 2010 and the final part enters production in the first half of the current year. CHC is quoting components for supply to both turbo OEMs in 2014/15, and is working on developing relationships with new OEMs.

"Our focus on business development is identifying new opportunities and I believe that our prospects for the medium term remain attractive."

The demand for turbochargers is dictated by the number of vehicles built, and our scheduled demand reduced in the fourth quarter of the financial year as the European car market slowed. We expect demand to remain at these levels in the first half of the new financial year but, in general industry, projections show car build numbers in 2013 at the same overall level as 2012, implying a recovery towards the end of the year.

Our Walsall foundry also supplies turbocharger castings for commercial diesel engines and demand in this sector remains stable. In 2012, we started to supply our first fully-machined turbocharger casting to this sector using a sub-contractor and after proving capability, we have been able to increase the number of castings where we take machining responsibility. This

approach fits well with the long-term goal of some of the turbocharger OEMs and we are currently evaluating other supply arrangements that will allow us to extend this offering to passenger car components.

The technical challenges in castings can be simplified to issues of geometry and metallurgy. Walsall's focus is on producing small castings made of relatively straightforward grades of iron, which have complex internal geometry. Our foundry in Leicester, which produces mid size castings typically around 20kg, produces castings with moderately complex shapes which require demanding metallurgy to deal with challenges from temperature, strength and wear resistance. A significant part of the Leicester foundry's output is accounted for by the construction equipment industry, and reduced demand from this sector adversely affected the foundry in the latter months of the financial year. Demand remains subdued but Leicester can serve a variety of markets and work is underway to broaden the customer base. Our most significant opportunity is the initiative to enter the market for turbocharger turbine casings, a high temperature application where Leicester can effectively supply the commercial diesel sector through the relationships made at Walsall. Development of the first castings has proved successful and although final testing of our customer's product has taken longer than anticipated we expect to start supplying production volumes in the new financial year.

Russell Ductile Castings ("RDC")

RDC, located in Scunthorpe, produces heavy castings weighting up to 6,000kg and delivers castings with complex geometry and challenging metallurgy. Applications typically require high strength or high temperature performance and include castings for large process compressors, industrial gas turbines and mining, quarrying and construction equipment. A significant proportion

of output is supplied as a finished part, with RDC taking responsibility for machining which is managed through a range of sub-contractors. The foundry is also the only UK producer of cast iron tunnel lining segments and I am pleased to note that a further contract, worth £0.8m, has been won to supply lining segments for an upgrade at Bond Street tube station. This follows a two year programme, which is now concluding, to supply Crossrail for approximately £3.0m of these parts. We expect other projects are likely to take place in future years.

“We believe there are significant organic growth opportunities for the group.”

RDC was adversely affected by a slowdown in its key markets in the latter months of the financial year and demand remains subdued. However, during the past year we completed a structured evaluation of potential markets and product applications and this has brought increased focus to our business development activity. We have brought into the business experienced sales people from outside the foundry industry and although the process for winning new work in the engineering sector is seldom rapid, we have seen some encouraging progress in developing new markets and new customer relationships.

RDC shares a number of customers and potential markets with our Leicester foundry, and the two sites are working closely to identify and pursue these shared opportunities.

ENGINEERING

Exidor

Located in Cannock, Exidor has the leading position in the UK market for securing bolts for emergency exits, known as panic hardware, and more recently has expanded into the related market of door closers through the acquisition of assets of a failed company. In the past year Exidor has maintained its position as UK market leader in panic hardware and continues to compete effectively in this market. The door closer product saw significant margin pressure with increased component costs but we have taken remedial action to address this and restore profitability. Under the leadership of a new Managing Director new applications for Exidor's products have been identified, which can be fulfilled by refinements of existing products, and a programme to increase exports is underway. We expect both initiatives to create new growth opportunities over coming years.

Petrel

Located in Birmingham, Petrel supplies certified lighting and control equipment for hazardous environments where there is a risk of explosion. Petrel has a small share of this market, but is a well respected brand with the potential to grow.

We appointed a new Managing Director to the business in September who is driving the focus to develop Petrel's market share. Structured selling techniques, improved distributor management and increased export activity are underway and product opportunities are being created by the increased availability of LED light sources. We look forward to seeing the results of this effort in future results.

OUTLOOK

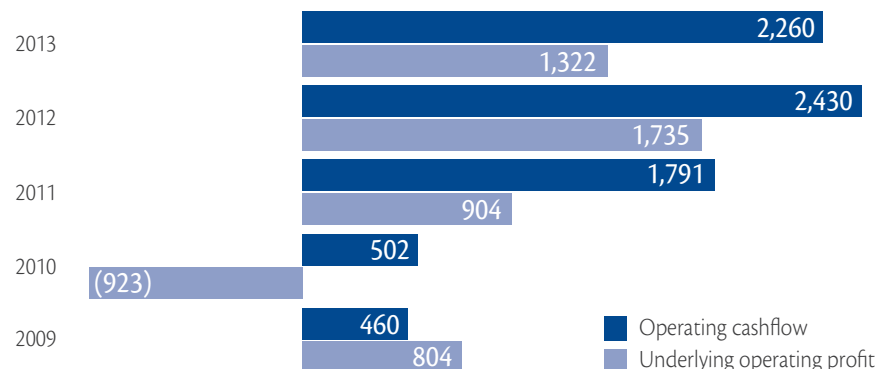
We expect to see the prevailing softer market conditions persist over the first half of the new financial year. Nonetheless, we continue to focus on business development and on improving processes. This will stand us in good stead as demand returns and over the medium and long term, we believe there are significant organic growth opportunities for the Group.

Photograph opposite: Bearing housing for engine turbocharger
Photograph below: Cut away of turbocharger



CHIEF EXECUTIVE'S REVIEW continued

CASH V PROFIT (£000)



The statutory results show statutory operating profit of £1.1m (2012: £1.6m), statutory profit before tax of £0.9m (2012: £1.4m) and statutory earnings per share of 10.0p (2012: 16.1p).

Tax

The Group's underlying tax charge for the year was £167,000 (2012: £242,000) with an underlying effective rate of 13% (2012: 15%). The tax allowances relating to our research and development spend reduced the Group's corporation tax liability to nil from £145,000 in the prior year. It is the Group's intention to continue to make research and development claims for tax purposes where possible. Tax payable for 2013 is £95,000. The statutory total tax charge for the year was £66,000 (2012: £183,000).

FINANCE REVIEW

Overview

Sales decreased by 7% during the year to £42.3m (2012: £45.5m) and gross profit margin decreased marginally from 19.5% in 2012 to 19.2% in 2013. As a large element of cost of sales is fixed costs that are incurred independently of movements in sales volumes, this slight reduction in gross profit margin masks a year on year increase in variable contribution. The year under review includes fixed costs of £5.8m (2012: £5.9m and 2011: £5.2m) and when these are excluded from gross profit to give an internal measure of variable contribution, the underlying variable margin has increased from 31.6% in 2011 to 32.5% in 2012 and 32.9% in 2013.

This demonstrates the continued improvements the Group is making despite challenges in the economy.

Foundry Division sales decreased by 10% to £33.7m, reflecting reduced demand across all three sites. Sales in the Engineering Division increased by 4% to £8.5m. Underlying Group operating profit decreased by 24% to £1.3m (2012: £1.7m).

Financing costs continue to reduce in line with borrowings, with bank overdraft interest in the current year down 47% to £41,000 (2012: £78,000).

Underlying profit before tax is £1.3m and shows a 23% reduction on the prior year (2012: £1.7m). Underlying earnings per share reduced by 22% to 14.0p (2012: 18.3p).

Cash generation and financing

Cash conversion continues to be of high importance for the Group and all Group subsidiaries are focused on this. Cash generated from operations was £2.3m (2012: £2.4m) which equates to over 170% of underlying operating profit and demonstrates the high level of cash generation. This extends the Group's impressive record of consistent positive cash generation in excess of underlying operating profits, which was maintained during the recession, as illustrated in the chart above.

Capital expenditure for the year increased slightly to £1.5m (2012: £1.4m). This was marginally above depreciation and amortisation of £1.3m (2012: £1.3m) and reflects a departure from the

Photograph below: Highly skilled technical staff use state of the art solidification software to enhance product design



normal practice of capital expenditure matching depreciation and was due to a deposit for new plant to be acquired in the new financial year, as referred to in the Chairman's Statement.

Group borrowings continue to be reduced with financial liabilities down by £0.6m to just under £1.0m at the year end (2012: £1.6m). This is the lowest year end overdraft since March 2007. The Group is funded through a £5.0m overdraft facility that is renewable annually. The facility has been renewed through to 30 May 2014 and is not subject to any financial covenants.

Foreign exchange

In order to protect against future exchange rate movements the Group enters into forward currency contracts covering 80% of its forecast Euro denominated sales for the coming year. The Group has adopted hedge accounting in relation to these foreign currency contracts, as explained in detail in Note 2 to the Financial Statements.

During the period a number of forward contracts were identified as being ineffective from an accounting point of view as the sales for which the contracts were hedged against fell to below the level where hedge accounting could be applied. As such a charge of £69,000 was taken to non-underlying items in the income statement where this would normally have gone through equity

in the hedge reserve. A movement in fair value of £326,000 in respect of effective hedges was recognised in equity.

Pension

The Group's defined benefit pension scheme was closed to future accrual in 2007. Following the last triennial valuation, as at 1 April 2010, contributions were set at £315,000 per year for the period under review increasing by 3% per year thereafter. Based on current assumptions, this would eliminate the deficit by 2020. A triennial valuation as at 1 April 2013 is currently underway.

The IAS 19 deficit at 31 March 2013 was £3.9m (2012: £3.1m). The increase principally reflects the reduction in the discount rate used to calculate scheme liabilities, as a consequence of a fall in bond yields over the last year.

Share-based payments

During the year a credit of £69,000 (2012: charge of £148,000) relating to share-based payments was recorded in the income statement. This reflects the shares that were forfeited upon the removal of Mark Bache from the Board and a reversal of prior year charges related to subsidiary management who left during the year.

All outstanding share options are exercisable at the year end and as such no further amount relating to the current share options is expected to be recorded in the income statement.

Exceptional items

The current year includes exceptional items of £222,000 (2012: £nil). Of the total amount, £186,000 relates to the removal of the former Finance Director and £36,000 relates to legal costs associated with a back pay dispute at Russell Ductile Castings Limited. These are explained further in note 12.

Tim Hair

Chief Executive
21 May 2013

Photograph below: Chamberlin produce performance critical components at RDC





GOVERNANCE

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REPORT OF THE DIRECTORS	21–25
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DIRECTORS' REMUNERATION REPORT	29–31
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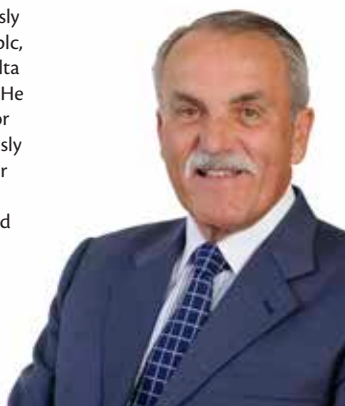
BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN

Keith Butler-Wheelhouse

Joined the Board: March 2013

Aged 67, Keith joined the Board and was appointed non-executive Chairman in March 2013. Previously Chief Executive of Smiths Group plc, Saab Automobile Sweden and Delta Motor Corporation South Africa. He is currently non-executive Director of Plastics Capital plc and previously served as a non-executive Director with Atlas Copco AB, General Motors Europe, J Sainsbury plc and NIU Solutions.



CHIEF EXECUTIVE

Tim Hair

Joined the Board: June 2006

Aged 53, 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.



SENIOR INDEPENDENT DIRECTOR

Keith Jackson

Joined the Board: 2005

Aged 64, 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 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.



INDEPENDENT DIRECTOR

Alan Howarth

Joined the Board: January 2007

Aged 67, 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 private companies. Alan is Chairman of the Remuneration Committee.



Mark Bache was removed from the Board on 11 December 2012.

At the Annual General Meeting to be held on 18 July 2013 (see the Notice of Annual General Meeting on pages 72 to 73), all of the Directors will retire 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.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 March 2013.

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.

The Company is registered in England and its registration number is 76928.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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 Chief Executive's Review on pages 14–17.

(a) Key Performance Indicators

Key performance indicators ("KPIs") are used to measure and evaluate Group performance against targets and monitor various activities throughout the Group. The main key performance indicators employed in the Group are set out below:

		Year to 31 March 2013	Year to 31 March 2012
Return on sales	Foundries	5.1%	5.6%
	Engineering	3.9%	5.8%
	Group	3.1%	3.8%
Return on net assets	Foundries	19.2%	21.3%
	Engineering	10.5%	16.6%
	Group	16.0%	19.2%
Operating profit per employee	Foundries	£5,071	£6,106
	Engineering	£3,484	£4,596
	Group	£2,998	£3,503

The Directors note that the KPIs reflect the trading conditions of the Group during the year.

Calculations are based on numbers disclosed in the segmental analysis in note 3 to the accounts and are shown before exceptional items as detailed in note 12 to the accounts. The Group percentages 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).

Operating profit per employee

The ratio of the segment's operating profit to the segment's average number of employees.

REPORT OF THE DIRECTORS continued

(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 2013	Year to 31 March 2012
Foundries	337	340
Engineering	95	104
Head office*	9	9
Group	441	453

* 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 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 26–28. The more significant risks and uncertainties faced by the Group are set out below:

- ▶ Approximately 20% 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 in order to provide an effective hedge, as described in note 25.
- ▶ 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 into 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.
- ▶ The global economic outlook has continued to be uncertain and the Group has been exposed to additional risks associated with rapid fluctuations in demand. In order to mitigate this risk the Group maintains borrowing facilities which incorporate sufficient headroom to accommodate any working capital movements associated with such changes in demand. In addition the Group regularly monitors its forward order load and where practical takes action to adjust its cost base in line with demand.
- ▶ The Group's approach to managing other financial risks is set out in note 25 to the financial statements.

DIVIDENDS

The Directors recommend the payment of a 2.0p final dividend (2012: 2.0p). An interim dividend of 1.25p (2012: 1.0p) has been paid during the year.

DIRECTORS

Details of the Directors of the Company at the year end 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 29–31.

DIRECTORS' SHAREHOLDINGS

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

	At 31 March 2013 Number of shares	At 31 March 2012 Number of shares
Keith Butler-Wheelhouse	58,500	—
Tim Hair	143,098	134,508
Keith Jackson	13,525	13,525
Alan Howarth	11,300	11,300

There have been no changes in the interests of the Directors set out above between 1 April 2013 and 21 May 2013.

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 £663,177 (which represents approximately 33% of the issued share capital of the Company as at 21 May 2013). This limit is in line with the guidelines issued by the Association of British Insurers.

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 £99,476. This sum represents 397,906 ordinary shares of 25 pence each, being equivalent to 5% of the issued share capital of the Company at 21 May 2013.

REPORT OF THE DIRECTORS continued

Authority to purchase own shares

At the Annual General Meeting in 2012, the Board was given authority to purchase and cancel up to 794,953 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, to allow the Company to purchase and cancel up to 795,812 of its own shares, again representing just under 10% of its issued share capital at 21 May 2013.

The authority is sought by way of a special resolution, details of which are also included at item 11 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 9 to 11 in the notice of meeting on pages 72–73.

SUBSTANTIAL SHAREHOLDERS

At 21 May 2013 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
Discretionary Unit Fund Managers	1,500,000	18.8
Milton Capital Partners	720,370	9.1
Henderson Global Investors	641,000	8.1
Schroder Institutional UK Smaller Companies Fund	400,000	5.0
AXA Framlington	300,000	3.8
Perfecta Assets Ltd	275,000	3.5
Quilter & Co	273,800	3.4
Chelverton Asset Management	265,000	3.3

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors have elected to prepare Group and Company financial statements under IFRSs as adopted by the European Union and in respect of the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group and Company for that period. In preparing the Group and Company financial statements the Directors are required to:

- ▮ present fairly the financial position, financial performance and cash flows of the Group;
- ▮ select suitable accounting policies in accordance with IAS 8: Accounting Policies Changes in Accounting Estimates and Errors, and then apply them consistently;
- ▮ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ▮ provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance;
- ▮ state whether the Group and Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- ▮ make judgements and estimates that are reasonable.

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

The Directors are also responsible for preparing the Directors' Report in accordance with the Companies Act 2006 and applicable regulations.

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 as set out in note 2 to the financial statements. 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 20. 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 (2012: £nil). There were no political donations in the year (2012: £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 2013 was 59 days (2012: 61 days) and that of the Company was 35 days (2012: 34 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

Tim Hair

Secretary

21 May 2013

CORPORATE GOVERNANCE

PRINCIPLES OF GOOD GOVERNANCE

The Group is committed to high standards of corporate governance and although The Financial Services Authority's Listing Rules, which incorporate the UK Corporate Governance Code ("the Code") are not mandatory for AIM quoted companies, it has applied the main principles set out in the Code as described below and in the Directors' Remuneration Report, in a manner appropriate to the size and nature of the Group.

The Board and its committees:

(a) The Board

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

All non-executive Directors are considered to be independent by the Board. Keith Butler-Wheelhouse 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) 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.

(d) 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. The Chairman of the Committee is Keith Butler-Wheelhouse.

(e) Re-election of Directors

At the Annual General Meeting to be held on 18 July 2013 (see the Notice of Annual General Meeting on pages 72–73), all Directors will retire and, being eligible, offer themselves for re-election. Notwithstanding that Article 94 of the Articles of Association requires only of a selection of the Directors to retire by rotation, the Directors have taken the decision to apply the good corporate governance provisions of the Code in respect of the re-election of Directors as it applies to FTSE 350 companies and consequently to require all Directors to be subject to re-election.

(f) Directors' remuneration

The statement of the Company's policy on executive Directors' remuneration and details of Directors' emoluments and service contracts are contained in the Directors' Remuneration Report on pages 29–31.

(g) 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 six 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.

(h) Audit Committee

The Audit Committee, which consists of the three non-executive Directors, Keith Jackson (Chairman), Keith Butler-Wheelhouse 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.

(i) Remuneration Committee

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

(j) Annual General Meeting

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

(k) 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 the Code. 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.

There is an ongoing process to identify, evaluate and manage the significant risks faced by the Group – this process has been in place throughout the year under review and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board and accords with the FRC Guidance on Internal Control.

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.

CORPORATE GOVERNANCE continued

SUMMARY OF ATTENDANCE AT MEETINGS

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings in the year	9	—	7	2
Keith Butler-Wheelhouse	9	—	7	2
Keith Jackson	9	—	7	2
Alan Howarth	9	—	7	2
Tim Hair	9	—	n/a	n/a
Mark Bache (removed 11 December 2012)	6	n/a	n/a	n/a

n/a – Indicates that a Director was not a member of a particular committee.

By order of the Board

Tim Hair

Secretary

21 May 2013

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three non-executive Directors: Alan Howarth (Chairman), Keith Butler-Wheelhouse 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 2013 the bonus in respect of Tim Hair was linked to the profit performance of the Group and the achievement of personal objectives. The maximum amount of bonus payable is 100% of his basic salary.

(c) Share options

An incentive to achieve longer-term improvements in shareholder value is afforded through three share option schemes which were established in 2007. The key features of the schemes are summarised as follows:

- i. 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.
- ii. Non-EMI qualifying options are also granted at nil cost 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 of companies between the median and upper quartile ranking. No options are exercisable if growth is below this range. These options expire on the 10th anniversary of grant.
- iii. A Share Option Plan ("SOP") which issues options at the average quoted market price of the Company's shares over a period of up to ninety trading days prior to grant. The options will normally become exercisable on or after the third anniversary 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 varies on a straight line basis, from 25% to 100%, for average growth in Total Shareholder Return of between 23.8% and 50.7% per annum over the period between the grant and vesting dates. This is equivalent to achieving a share price in the range of 100p to 180p. No options are exercisable if growth is below this range.

Certain options were granted under this scheme (as detailed on page 31) in parallel to the options outstanding under schemes (i) and (ii) above. These parallel options are only tested against the above vesting conditions, and hence are potentially eligible to vest, in the event that the options that they are granted in parallel to fail to vest.

DIRECTORS' REMUNERATION REPORT

continued

SERVICE CONTRACTS

All executive Directors who served during the year have rolling service contracts terminable on no more than one 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.

DIRECTORS' REMUNERATION

	Basic salary £000	Fees £000	Benefits £000	Annual Bonus £000	Payment under Employment settlement† £000	Total remuneration excluding pensions 2013 £000	2012 £000
Executive							
Tim Hair *	213	—	23	43	—	279	345
Mark Bache (removed 11 December 2012)	108	—	10	—	80	198	238
Non-executive							
Keith Butler-Wheelhouse	75	—	—	—	—	75	6
Keith Jackson	23	—	—	—	—	23	23
Alan Howarth	23	—	—	—	—	23	23
Total	442	—	33	43	80	598	635
Total 2012	410	39	38	200	—		687

* Highest paid Director in 2012 and 2013.

† Included in exceptional costs in note 12.

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 26.

DIRECTORS' PENSIONS

No retirement benefits accrued during the year, or prior years, to Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2012: nil) which is a closed defined benefit scheme.

CONTRIBUTIONS INTO PERSONAL PENSION PLANS

	Percentage of basic salary	Contribution paid 2013 £000	Contribution paid 2012 £000
T Hair	10%	21	21
M Bache (removed 11 December 2012)	8%	8	11

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

DIRECTORS' OPTIONS

	31 March 2012	Granted in year	Exercised in year	Lapsed or forfeited in year	31 March 2013	Option exercise price	Exercisable between	Note
Tim Hair	16,665	—	8,590	8,075	—	nil	27.03.2013 -27.03.2017	
	92,427	—	—	92,427	—	52.8p	23.2.2013 -23.2.2020	#
	698,584	—	—	172,719	525,865	52.8p	23.2.2013 -20.11.2016	
Mark Bache	12,819	—	—	12,819	—	nil	27.03.2013 -27.03.2017	
	33,824	—	—	33,824	—	nil	19.12.2012 -19.12.2018	
	78,543	—	—	78,543	—	52.8p	23.2.2013 -23.2.2020	#
	293,892	—	—	293,892	—	52.8p	23.2.2013 -23.2.2020	
	1,226,754	—	8,590	692,299	525,865			

Options marked # are granted in parallel to options in existence at 31 March 2009, as noted above. These options are only tested against the vesting conditions as set out on page 29 (and thus potentially become eligible to vest), in the event that the options that they are granted in parallel to fail to vest. Only the original options or the parallel options can vest, not both.

Where applicable, option grants are exercisable only upon the achievement of the performance targets explained on page 29.

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

The exercise of share options resulted in a gain for Tim Hair of £10,000 (2012: £134,000) and a gain for Mark Bache of £nil (2012: £53,000). At the time of exercise the Company's share price was 119.5p (2012: 132p).

273,221 (2012: 287,334) options lapsed as the vesting criteria were not met. 419,078 options in favour of Mark Bache were forfeited following his removal from the Board.

There have been no changes in the interests set out above between 1 April 2013 and 21 May 2013 save the alteration to the exercise date of options outstanding for Tim Hair.

The mid-market price of the shares at 31 March 2013 was 102p and during the year ranged between 187.5p and 102p.

On behalf of the Board

Alan Howarth

Chairman, Remuneration Committee

21 May 2013

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Chamberlin plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Cash Flow Statement, the Group and Company Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- ▶ the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ▶ the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Christopher Voogd (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

21 May 2013



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CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2013

	Notes	Year ended 31 March 2013			Year ended 31 March 2012		
		Underlying £000	Non- underlying* £000	Total £000	Underlying £000	Non- underlying* £000	Total £000
Revenue	3	42,266	(69)	42,197	45,532	—	45,532
Cost of sales		(34,146)	—	(34,146)	(36,652)	—	(36,652)
Gross profit		8,120	(69)	8,051	8,880	—	8,880
Other operating expense	4, 12	(6,798)	(222)	(7,020)	(7,145)	—	(7,145)
Trading profit		1,322	(291)	1,031	1,735	—	1,735
Share-based payment credit/(charge)		—	69	69	—	(148)	(148)
Operating profit/(loss)	7	1,322	(222)	1,100	1,735	(148)	1,587
Finance costs	6	(41)	(200)	(241)	(78)	(79)	(157)
Profit/(loss) before tax		1,281	(422)	859	1,657	(227)	1,430
Tax (expense)/credit	8	(167)	101	(66)	(242)	59	(183)
Profit/(loss) for the year from continuing operations attributable to equity holders of the Parent Company		1,114	(321)	793	1,415	(168)	1,247
Earnings per share:							
basic	11			10.0p			16.1p
underlying	11	14.0p			18.3p		
diluted	11			9.6p			14.5p
diluted underlying	11	13.4p			16.5p		

* Non-underlying items represent ineffective hedge costs, exceptional items as disclosed in note 12, net financing costs on pension obligations, share-based payment costs and associated tax impact of these items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Profit for the year		793	1,247
Other comprehensive income			
Movements in fair value on cash flow hedges taken to other comprehensive income		(229)	250
Reclassification for cashflow hedge included in sales		(199)	229
Deferred tax on movement in cash flow hedges		102	(120)
Actuarial losses on pension assets and liabilities	22	(1,056)	(1,206)
Deferred tax on actuarial losses on pension scheme*		302	404
Current tax relating to actuarial losses on pension scheme*		(49)	(90)
Movement on deferred tax on actuarial losses relating to rate change		(41)	(61)
Other comprehensive expense for the period net of tax		(1,170)	(594)
Total comprehensive (expense)/income for the period attributable to equity holders of the Parent Company		(377)	653

* The presentation of the prior period tax movement related to pension scheme funding and actuarial losses has been grossed up to reflect the split between current and deferred tax.

CONSOLIDATED BALANCE SHEET

at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Property, plant and equipment	13	8,199	8,121
Intangible assets	14	620	642
Deferred tax asset	18	1,158	1,056
		9,977	9,819
Current assets			
Inventories	15	3,331	3,846
Trade and other receivables	16	8,072	8,959
		11,403	12,805
Total assets		21,380	22,624
Current liabilities			
Financial liabilities	17	981	1,558
Trade and other payables	17	7,931	8,684
Provisions	17	26	—
Current tax		95	145
		9,033	10,387
Non current liabilities			
Deferred tax	18	141	133
Defined benefit pension scheme deficit	22	3,913	3,061
		4,054	3,194
Total liabilities		13,087	13,581
Capital and reserves			
Share capital	19	1,990	1,987
Share premium		1,269	1,269
Capital redemption reserve		109	109
Hedging reserve		(152)	174
Retained earnings		5,077	5,504
Total equity		8,293	9,043
Total equity and liabilities		21,380	22,624

Tim Hair

Keith Butler-Wheelhouse

Keith Jackson

} Directors

The accounts were approved by the Board of Directors on 21 May 2013.

PARENT COMPANY BALANCE SHEET

at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Property, plant and equipment	13	978	1,028
Intangible assets	14	4	5
Investments	21	8,159	8,159
Deferred tax asset	18	946	897
		10,087	10,089
Current assets			
Trade and other receivables	16	213	200
Income taxes receivable	16	16	47
Amounts due from subsidiary undertakings	16	5,032	4,968
		5,261	5,215
Total assets		15,348	15,304
Current liabilities			
Financial liabilities	17	3,826	3,055
Trade and other payables	17	470	672
Amounts due to subsidiary undertakings	17	607	606
		4,903	4,333
Non-current liabilities			
Deferred tax	18	15	24
Defined benefit pension scheme deficit	22	3,913	3,061
		3,928	3,085
Total liabilities		8,831	7,418
Capital and reserves			
Share capital	19	1,990	1,987
Share premium		1,269	1,269
Capital redemption reserve		109	109
Retained earnings		3,149	4,521
Total equity		6,517	7,886
Total equity and liabilities		15,348	15,304

Tim Hair
 Keith Butler-Wheelhouse
 Keith Jackson



Directors

The accounts were approved by the Board of Directors on 21 May 2013.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2013

		31 March 2013 £000	31 March 2012 £000
Operating activities	Notes		
Profit for the year before tax		859	1,430
Adjustments to reconcile profit for the year to net cash inflow from operating activities:			
Net finance costs excluding pensions	6	41	78
Depreciation of property, plant and equipment	13	1,190	1,219
Amortisation of software	14	102	79
Amortisation of development costs	14	49	48
Profit on disposal of property, plant and equipment	7	(13)	(68)
Share-based payments	20	(69)	148
Difference between pension contributions paid and amounts recognised in the Income Statement		(204)	(347)
Decrease/(increase) in inventories		515	(877)
Decrease in receivables		757	873
Decrease in payables		(993)	(68)
Increase/(decrease) in provisions		26	(85)
Cash generated from operations		2,260	2,430
Net cash inflow from operating activities		2,260	2,430
Investing activities			
Purchase of property, plant and equipment	13	(1,353)	(1,185)
Purchase of software	14	(60)	(243)
Development costs	14	(69)	(32)
Disposal of plant and equipment		98	83
Net cash outflow from investing activities		(1,384)	(1,377)
Financing activities			
Interest paid	6	(41)	(78)
Proceeds from issue of share capital		—	500
Dividends paid	9	(258)	(152)
Net cash (outflow)/inflow from financing activities		(299)	270
Net increase in financial liabilities		577	1,323
Financial liabilities at the start of the year		(1,558)	(2,881)
Financial liabilities at the end of the year		(981)	(1,558)
Financial liabilities comprise:			
Bank overdraft	17	(981)	(1,558)
		(981)	(1,558)

PARENT COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2013

		31 March 2013 £000	31 March 2012 £000
Operating activities	Notes		
Loss for the year before tax		(134)	(542)
Adjustments to reconcile loss for the year to net cash inflow from operating activities:			
Net finance costs excluding pensions		109	145
Depreciation of property, plant and equipment	13	62	74
Amortisation of software	14	3	2
Loss on disposal of property, plant and equipment		2	—
Share-based payments	20	(69)	148
Difference between pension contributions paid and amounts recognised in the Income Statement		(204)	(347)
(Increase)/decrease in receivables		(13)	2,914
Decrease in payables		(144)	(1,364)
Net cash (outflow)/inflow from operating activities		(388)	1,030
Investing activities			
Purchase of property, plant and equipment	13	(83)	(70)
Purchase of Software	14	(2)	(4)
Disposal of plant and equipment		69	10
Net cash outflow from investing activities		(16)	(64)
Financing activities			
Interest paid		(109)	(145)
Proceeds from issue of share capital		—	500
Dividends paid	9	(258)	(152)
Net cash (outflow)/inflow from financing activities		(367)	203
Net (decrease)/increase in financial liabilities		(771)	1,169
Financial liabilities at the start of the year		(3,055)	(4,224)
Financial liabilities at the end of the year		(3,826)	(3,055)
Financial liabilities comprise:			
Bank overdraft	17	(3,826)	(3,055)
		(3,826)	(3,055)

STATEMENT OF CHANGES IN EQUITY

Group	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Attributable to equity holders of the Parent £000
Balance at 1 April 2011	1,859	862	109	(185)	5,134	7,779
Profit for the year	—	—	—	—	1,247	1,247
Other comprehensive income for the year net of tax	—	—	—	359	(953)	(594)
Total comprehensive income	—	—	—	359	294	653
Share placement	93	407	—	—	—	500
Shares issued on exercise of share options	35	—	—	—	(35)	—
Dividends paid	—	—	—	—	(152)	(152)
Share-based payment	—	—	—	—	113	113
Deferred tax on employee share options	—	—	—	—	150	150
Balance at 1 April 2012	1,987	1,269	109	174	5,504	9,043
Profit for the year	—	—	—	—	793	793
Other comprehensive income for the year net of tax	—	—	—	(326)	(844)	(1,170)
Total comprehensive income	—	—	—	(326)	(51)	(377)
Shares issued on exercise of share options	3	—	—	—	(3)	—
Dividends paid	—	—	—	—	(258)	(258)
Share-based payment	—	—	—	—	(11)	(11)
Deferred tax on employee share options	—	—	—	—	(104)	(104)
Balance at 31 March 2013	1,990	1,269	109	(152)	5,077	8,293

Company	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Attributable to equity holders of the Company £000
Balance at 1 April 2011	1,859	862	109	6,003	8,833
Loss for the year	—	—	—	(605)	(605)
Other comprehensive income for the year net of tax	—	—	—	(953)	(953)
Total comprehensive income	—	—	—	(1,558)	(1,558)
Share placement	93	407	—	—	500
Shares issued on exercise of share options	35	—	—	(35)	—
Dividends paid	—	—	—	(152)	(152)
Share-based payment	—	—	—	113	113
Deferred tax on employee share options	—	—	—	150	150
Balance at 1 April 2012	1,987	1,269	109	4,521	7,886
Loss for the year	—	—	—	(152)	(152)
Other comprehensive income for the year net of tax	—	—	—	(844)	(844)
Total comprehensive income	—	—	—	(996)	(996)
Shares issued on exercise of share options	3	—	—	(3)	—
Dividends paid	—	—	—	(258)	(258)
Share-based payment	—	—	—	(11)	(11)
Deferred tax on employee share options	—	—	—	(104)	(104)
Balance at 31 March 2013	1,990	1,269	109	3,149	6,517

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

HEDGING RESERVE

The hedging reserve records the effective portion of the net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

NOTES TO THE ACCOUNTS

at 31 March 2013

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 2013 were authorised for issue by the Board of the Directors on 21 May 2013 and the balance sheets were signed on the Board's behalf by Tim Hair, Keith Butler-Wheelhouse and Keith Jackson. 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) as adopted by the European Union. 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 2006.

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 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Chamberlin plc and its subsidiaries as at 31 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.

Going concern

The Group's activities together with the factors likely to affect its future development, performance and financial position, including its cash flows, liquidity position and borrowing facilities, are described in the Chief Executive's review on pages 14–17. In addition, Note 25 to the Group Financial Statements includes the Group's objectives and policies for managing capital and financial risks in relation to currency, interest rates, credit and liquidity.

The Group's forecasts and projections, taking account of reasonably possible changes in trading conditions, show that the Group is able to operate within the level of its current bank facilities, the principal element of which is a £5m overdraft facility expiring in May 2014. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current economic uncertainty.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Presentation of the Consolidated Income Statement

The Income Statement is allocated between Underlying items which relate to the trading activities of the business and Non-underlying items which are either non-recurring or are valued using market derived data which is outside of management's control. The Directors believe that this format sets out the performance of the Group more clearly.

New standards adopted

Amended IFRS that have become effective in the period have not had a material impact on the financial statements.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date for annual periods beginning after the date of these financial statements.

International Accounting Standards

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income	1 July 2013
IAS 19 Employee Benefits (revised)	1 January 2013
IAS 27 Separate Financial Statements (revised)	1 January 2014*
IAS 28 Investments in Associates and Joint Ventures (revised)	1 January 2014*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2014*
IFRS 11 Joint Arrangements	1 January 2014*
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014*
IFRS 13 Fair Value Measurement	1 January 2013
IFRS 7 & IAS 32 Offsetting of Financial Instruments	1 January 2013 and 1 January 2014

Effective date

*Effective date in EU (early adoption permitted)

International Financial Reporting Interpretive Committee (IFRIC)

None

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The Directors have also considered the IASB's annual improvements to International Financial Reporting Standards effective 1 January 2013.

The standards and interpretations listed above and the annual improvements have not been adopted early by the Group. The Directors do not anticipate that the adoption of these standards and interpretations and other improvements will have a material impact on the Group's reported disclosures, income or net assets in the period of adoption except for:

IAS 19 Employee Benefits (revised) — The revised standard includes a number of fundamental changes, the most significant one for the Group is that the expected return on scheme's assets will be calculated using the same interest rate as applied for the purpose of discounting the pension scheme liabilities. The income statement charge for the year ended 31 March 2013 has been calculated as £200,000 for this year's disclosures under the current standard. Under the new standard the charge has been calculated as £260,000. This year's income statement will be restated under the new standard when disclosed next year.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income — The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they would be reclassified to profit or loss at a future point in time. It does not change the nature of items that are currently recognised in other comprehensive income.

The Directors have made an assessment of the impact of IFRS 10-12 and IFRS 13 and consider that they will not have a material impact on the Group.

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably. If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which goodwill is monitored for internal management purposes and will not be larger than an operating segment before aggregation. Goodwill is tested for impairment when indicators of impairment are identified.

Where goodwill forms part of an operation which is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business Combinations prior to 1 April 2010

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. For property, where appropriate the deemed cost as at the date of transition to IFRS is the fair value at the date of the last valuation of these assets.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software, intellectual property rights and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software and other intangible assets, such as capitalised development expenditure under IAS 38, are amortised over their useful lives on a straight line basis with the amortisation charge included within other operating expenses. Estimated useful life is the shorter of legal duration and economic useful life, which represents the Directors' best estimate of the period over which the asset may be used to generate significant economic benefits to the Group. Software has an estimated useful life of between 3 years for normal software to 10 years for ERP systems.

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

Research and development costs

Research costs are expensed as incurred.

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

The Company's investments in subsidiaries

Investments in subsidiaries are stated at cost and dividends from subsidiaries are taken to profit or loss when the right to receive payment is established.

Inventories

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

- Raw materials; purchase cost on a first-in, first-out basis;
- 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, 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 utilised within the engineering division 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.

Maintenance items are held in inventory and expensed on use unless they exceed a de minimis level where they are capitalised under plant and equipment and depreciated over the remaining useful economic life of the item of plant or equipment to which they relate.

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less any provision for bad debts. 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.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation, derivative financial instruments and hedging

The functional and presentation currency of Chamberlin plc and its subsidiary undertakings is sterling (£). Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Any resulting exchange differences are taken to the income statement.

The Group is exposed to foreign exchange risk on income streams denominated in foreign currencies. In order to reduce the Group's exposure to currency fluctuations the Group sells a proportion of expected Euro revenues on forward contracts.

With effect from 1 April 2010 the Group adopted hedge accounting in respect of certain sales denominated in foreign currencies. Foreign currency forward contracts are being used to hedge the foreign currency risks on highly probable forecasted sales transactions. The fair value of forward currency contracts is calculated by reference to current Market prices for contracts with similar maturity profiles. The proportion of the gain or loss on the hedging instrument that is determined as an effective hedge is recognised in other comprehensive income and the gain or loss on any ineffective component of a hedging instrument is recognised in profit and loss. Amounts initially recognised in equity are transferred to the income statement within sales when the forecast hedged transaction occurs.

At 31 March 2013 the Group held 10 foreign currency forward contracts designated as hedges of expected future sales to customers in Europe for which the Group has highly probable forecasted transactions.

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 defined benefit pension scheme which is closed to future accrual. The scheme assets are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit method. As the scheme is closed to future accrual, no service cost of providing pension to employees is charged to the income statement. The cost of making improvements to pension and other post-retirement benefits is recognised in the income statement on a straight line basis over the period during which the increase in benefits vests. To the extent that any improvement in benefits vests immediately, the cost is recognised immediately. These costs are recognised as an expense.

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

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

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 within the next financial year.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods, in line with the International Commercial terms as defined by the International Chamber of Commerce, 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 directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed as interest payable in the income statement in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Share-based payments

The Group grants equity-settled and cash-settled share-based payments to certain Directors and employees in the form of share options. Equity-settled share-based payments are measured at fair value at the date of grant using the Black-Scholes pricing model. Cash-settled share-based payments are measured at fair value at the balance sheet date 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 any service and performance conditions (vesting conditions) other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided all non-market vesting conditions are satisfied.

At each balance sheet date before vesting the cumulative expense is calculated taking into account the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting above. The movement since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

Non-underlying and exceptional items

The Group presents as non-underlying items on the face of the income statement, those items of income and expenditure which, because they are either non-recurring or are valued using market derived data which is outside management's control, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to allow assessment of trends in financial performance. Non-underlying items include ineffective hedge costs, share-based payment costs, net financing costs of pension obligations, costs associated with the removal of former Finance Director, legal costs and associated tax impact on these items.

Use of accounting estimates and judgements

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 Development Costs – the Group determines whether development costs are 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, future salary increases, mortality rates and future pension increases.
- Legal provisions – the Group makes provision for legal cases where future costs are expected to be incurred in either defending the claim or in anticipating a settlement. The Group will seek legal advice on the chances of successful defence of any claim when assessing the extent of legal provision required.
- Restructuring provisions – the Group makes provision for restructuring costs, based on management's best estimate of the costs of implementing such a restructuring.
- Recoverability of deferred tax assets – deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets relating to the pension scheme deficit are recognised to the extent that contributions into the pension scheme are designed to eliminate the deficit and return the scheme to a fully funded position by April 2020. The deferred tax asset is considered to be recoverable given the forecast results of the Group.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

3 SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating divisions according to the nature of the products and services. Operating segments within those divisions are combined on the basis of their similar long term characteristics and similar nature of their products, services and end users as follows:

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 their customers.

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

Management monitors the operating results of its divisions separately for the purposes of making decisions about resource allocation and performance assessment. The operating segments disclosed in the financial statements are the same as reported to the Chief Operating Decision Maker, the Chief Executive.

The Group's geographical segments are determined by the location of the Group's customers.

(i) By operating segment

Year ended	Segmental revenue		Segmental operating profit	
	2013 £000	2012 £000	2013 £000	2012 £000
Foundries	33,674	37,354	1,709	2,076
Engineering	8,523	8,178	331	478
Segment Results	42,197	45,532	2,040	2,554
Reconciliation of reported segmental operating profit				
Segment operating profit			2,040	2,554
Shared Cost (including share-based payment charge)			(718)	(967)
Exceptional costs (note 12)			(222)	—
Net finance costs (note 6)			(241)	(157)
Profit before tax			859	1,430
Segmental assets				
Foundries			15,428	15,951
Engineering			4,756	4,629
			20,184	20,580
Segmental liabilities				
Foundries			(6,437)	(6,184)
Engineering			(1,615)	(1,741)
			(8,052)	(7,925)
Segmental net assets				
Unallocated net liabilities			(3,839)	(3,612)
Total net assets			8,293	9,043

Unallocated net liabilities include the pension liability of £3,913,000 (2012: £3,061,000), financial liabilities of £981,000 (2012: £1,558,000), deferred tax asset of £1,017,000 (2012: £923,000) and other assets of £38,000 (2012: £84,000).

3 SEGMENTAL ANALYSIS continued

Capital expenditure, depreciation and amortisation

	Foundries		Engineering		Total	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Capital additions						
Property, plant and equipment (note 13)	1,118	818	235	367	1,353	1,185
Software (note 14)	60	237	—	6	60	243
Development costs (note 14)	46	—	23	32	69	32

	Foundries		Engineering		Total	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Depreciation and amortisation						
Property, plant and equipment (note 13)	(948)	(945)	(242)	(274)	(1,190)	(1,219)
Software (note 14)	(87)	(64)	(15)	(15)	(102)	(79)
Development costs (note 14)	(35)	(42)	(14)	(6)	(49)	(48)

(ii) Geographical information

	2013	2012
	£000	£000
Revenue by location of customers		
United Kingdom	28,534	31,956
Germany	7,091	7,196
Rest of Europe	3,896	3,413
Other countries	2,676	2,967
	42,197	45,532

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

No individual customer represents more than 10% of Group revenue (2012: none).

4 OTHER OPERATING EXPENSES

	2013	2012
	£000	£000
Distribution costs	1,114	1,237
Administration and selling expenses	5,684	5,908
Operating expenses before exceptional items	6,798	7,145
Exceptional items (note 12)	222	—
Operating expenses	7,020	7,145

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Group during the year was:

	2013	2012
	Number	Number
Management and administration	81	92
Production	360	361
Total employees	441	453

NOTES TO THE ACCOUNTS continued

at 31 March 2013

5 STAFF NUMBERS AND COSTS continued

The aggregate employment costs of these employees were as follows:-

	2013 £000	2012 £000
Wages and salaries	12,320	13,166
Social security costs	1,211	1,347
Other pension costs (note 22)	276	286
Share-based payment expense (note 20)	(69)	148
	13,738	14,947

Directors' remuneration summary

	2013 £000	2012 £000
Directors' remuneration	518	687
Company contributions to money purchase pension scheme	30	32
Payment under an employment settlement agreement in March 2013	80	—
Aggregate gains made by Directors on exercise of options	10	187
Share-based payment (credit)/charge of options granted to Directors (see note 20)	(11)	113

Number of Directors accruing benefits under:

	2013 Number	2012 Number
Defined contribution pension schemes	2	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 29–31.

The total amount payable to the highest paid Director in respect of remuneration was £279,000 (2012: £345,000). Company pension contributions of £21,000 (2012: £21,000) were made to a money purchase pension scheme on his behalf. The aggregate gain made on exercise of share options was £10,000 (2012: £134,000).

6 FINANCE COSTS

	2013 £000	2012 £000
Finance costs		
Bank overdraft interest payable	(41)	(78)
Finance cost of pensions (see note 22)	(200)	(79)
	(241)	(157)

7 OPERATING PROFIT

	2013 £000	2012 £000
This is stated after charging/(crediting):		
Profit on disposal of fixed assets	(13)	(68)
Depreciation of owned assets	1,190	1,219
Amortisation of software	102	79
Research and development expenditure (excluding capitalised development: note 14)	79	56
Amortisation of development costs	49	48
Cost of inventories recognised as an expense	18,055	18,997
Exceptional costs (note 12)	222	—
Exchange gain	(12)	(46)
Auditors' remuneration:		
Group audit fees	30	30
Audit fees for statutory accounts of subsidiaries	55	55
Audit related assurance services	5	5
Services relating to corporate finance transactions not covered above	—	55
Rentals under operating leases:		
Hire of plant and equipment	101	101
Other	330	331

Fees paid to the Company for non-audit services are not disclosed in these financial statements because the Group financial statements are required to disclose such fees on a consolidated basis.

8 TAXATION

	2013 £000	2012 £000
Current tax:		
UK Corporation tax at 24% (2012: 26%)	144	235
Adjustments in respect of prior years	(145)	—
	(1)	235
Deferred Taxation:		
Origination and reversal of timing differences	117	(44)
Adjustments in respect of prior years	(53)	(16)
Change in tax rate	3	8
	67	(52)
Tax expense reported in the consolidated income statement*	66	183

* The presentation of the prior period tax movement related to pension scheme funding and actuarial losses has been grossed up to reflect the split between current and deferred tax.

The Corporation tax rate fell from 26% for the year ended 31 March 2012 to 24% for the year ended 31 March 2013. The Corporation tax rate will fall to 23% from 1 April 2013, a rate change which was substantively enacted on 3 July 2012. The Chancellor has announced progressive reductions to 20% in corporation tax rates, with a 2% fall from 1 April 2014 and a further 1% fall from 1 April 2015 but these changes have not been substantively enacted.

It is not anticipated that the subsequent reductions to 20%, once substantively enacted, will have a material effect on the Company's future current or deferred tax charges.

During the year the Group utilised brought forward tax losses of £Nil (2012: £Nil).

NOTES TO THE ACCOUNTS continued

at 31 March 2013

8 TAXATION continued

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

	2013 £000	2012 £000
Current tax:	49	90
	49	90
Deferred Taxation:		
Retirement benefit obligation	(302)	(404)
Fair value movements on cash flow hedges	(102)	120
Change in tax rate	41	61
	(363)	(223)
Tax credit reported in the statement of comprehensive income*	(314)	(133)

* The presentation of the prior period tax movement related to pension scheme funding and actuarial losses has been grossed up to reflect the split between current and deferred tax.

	2013 £000	2012 £000
Current tax:	—	—
	—	—
Deferred Taxation:		
Employee share options	104	(150)
Tax charge/(credit) reported in the statement of changes in equity	104	(150)

	2013 £000	2012 £000
Reconciliation of total tax charge		
Profit on ordinary activities before tax	859	1,430
Corporation tax charge at standard rate of 24% (2012: 26%) on loss before tax	206	372
Adjusted by the effects of:-		
Expenses not deductible for tax purposes	66	31
Short term timing differences		
— other timing differences	(11)	(9)
— recognition of tax losses	—	(203)
Amounts under provided in prior years		
— corporation tax	(145)	—
— deferred tax	(53)	(16)
Movement in deferred tax on change in corporation tax rate	3	8
Total tax expense reported in the income statement	66	183

9 DIVIDENDS PAID AND PROPOSED

	2013 £000	2012 £000
Paid equity dividends on ordinary shares		
2012 final dividend of 2.0p per share (2011: 1.0p per share)	159	75
2013 interim dividend of 1.25p per share (2012: 1.0p per share)	99	77
	258	152
Proposed final dividend subject to shareholder approval		
2013 final dividend of 2.0p per share (2012: 2.0p per share)	159	159

10 PARENT COMPANY TRANSFER TO RESERVES

The loss dealt with in the accounts of the Parent Company was £152,000 (2012: £605,000).

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, as analysed below, which excludes non-underlying items as defined in note 2, summary of significant accounting policies, has also been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group.

Exceptionals costs are detailed in note 12.

	2013 £000	2012 £000
Earnings for basic earnings per share	793	1,247
Ineffective hedges	69	—
Taxation on ineffective hedges	(17)	—
Exceptional costs	222	—
Taxation effect of exceptional costs	(53)	—
Net financing costs on pension obligations	200	79
Taxation effect of pension obligation	(48)	(21)
Share-based payment (credit)/charge	(69)	148
Taxation effect of share-based payments	17	(38)
Earnings for underlying earnings per share	1,114	1,415

	2013 Number	2012 Number
Weighted average number of ordinary shares	7,950	7,731
Adjustment to reflect shares under options	349	844
Weighted average number of ordinary shares — fully diluted	8,299	8,575

NOTES TO THE ACCOUNTS continued

at 31 March 2013

12 EXCEPTIONAL COSTS

	2013 £000	2012 £000
Removal of former Finance Director	186	—
Legal costs relating to subsidiary back pay claim	36	—
	—	—
	222	—
Taxation		
— tax effect of exceptional costs	(53)	—
	(53)	—

On 11 December 2012 the Company removed Mark Bache as Finance Director. Costs associated with his removal include a payment under an employment settlement agreement in March 2013, legal costs associated with his removal and costs associated with the recruitment of a successor.

Legal costs are in relation to a dispute for back pay at Russell Ductile Castings Limited and comprise the amount offered to settle the dispute along with legal costs incurred to date and future legal costs expected to be incurred (see note 17).

13 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2011	5,283	25,669	642	31,594
Additions	160	815	210	1,185
Disposals	—	(440)	(127)	(567)
At 31 March 2012	5,443	26,044	725	32,212
Additions	128	1,077	148	1,353
Disposals	—	(20)	(158)	(178)
At 31 March 2013	5,571	27,101	715	33,387
Depreciation				
At 1 April 2011	1,667	21,351	406	23,424
Charge for year	121	978	120	1,219
Disposals	—	(440)	(112)	(552)
At 31 March 2012	1,788	21,889	414	24,091
Charge for year	128	937	125	1,190
Disposals	—	(11)	(82)	(93)
At 31 March 2013	1,916	22,815	457	25,188
Net book value				
At 31 March 2013	3,655	4,286	258	8,199
At 31 March 2012	3,655	4,155	311	8,121
At 31 March 2011	3,616	4,318	236	8,170

Included within plant and machinery is £93,000 (2012: £nil) relating to assets under the course of construction which is not depreciated.

13 PROPERTY, PLANT AND EQUIPMENT continued

Net book value of land and buildings comprises:-

	2013 £000	2012 £000
Freehold	3,648	3,641
Short leasehold (leasehold improvements)	7	14
	3,655	3,655

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2011	1,670	54	110	1,834
Additions	—	13	57	70
Disposals	—	—	(33)	(33)
At 31 March 2012	1,670	67	134	1,871
Additions	—	35	48	83
Disposals	—	—	(105)	(105)
At 31 March 2013	1,670	102	77	1,849
Depreciation				
At 1 April 2011	733	26	37	796
Charge for year	27	7	40	74
Disposals	—	—	(27)	(27)
At 31 March 2012	760	33	50	843
Charge for year	28	11	23	62
Disposals	—	—	(34)	(34)
At 31 March 2013	788	44	39	871
Net book value				
At 31 March 2013	882	58	38	978
At 31 March 2012	910	34	84	1,028
At 31 March 2011	937	28	73	1,038

Freehold land included above not subject to depreciation amounted to:

	Group £000	Company £000
2013	743	743
2012	743	743

NOTES TO THE ACCOUNTS continued

at 31 March 2013

14 INTANGIBLE ASSETS

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Software	501	543	4	5
Development costs	119	99	—	—
	620	642	4	5

Software

	Group	Company
	£000	£000
Cost		
At 1 April 2011	838	16
Additions	243	4
Disposals	(6)	—
At 31 March 2012	1,075	20
Additions	60	2
At 31 March 2013	1,135	22
Amortisation/impairment		
At 1 April 2011	459	13
Charge for the year	79	2
Disposals	(6)	—
At 31 March 2012	532	15
Charge for year	102	3
At 31 March 2013	634	18
Net Book Value		
At 31 March 2013	501	4
At 31 March 2012	543	5
At 31 March 2011	379	3

Software has an estimated useful life of between three and ten years.

14 INTANGIBLE ASSETS continued

	Group £000	Company £000
Development costs capitalised		
Cost		
At 1 April 2011	413	—
Additions	32	—
At 31 March 2012	445	—
Additions	69	—
At 31 March 2013	514	—
Amortisation/impairment		
At 1 April 2011	298	—
Charge for year	48	—
At 31 March 2012	346	—
Charge for year	49	—
At 31 March 2013	395	—
Net Book Value		
At 31 March 2013	119	—
At 31 March 2012	99	—
At 31 March 2011	115	—

Development costs capitalised relate to specific major projects which result in an asset being created which is then amortised over the primary income generating period of the associated product. For the above items this has been estimated at five years from the commencement of commercial sales.

15 INVENTORIES

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Raw materials	1,424	1,406	—	—
Work in progress	968	1,367	—	—
Finished goods	939	1,073	—	—
	3,331	3,846	—	—

NOTES TO THE ACCOUNTS continued

at 31 March 2013

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade receivables	7,356	8,116	—	—
Amounts due from subsidiary undertakings	—	—	5,032	4,968
Other receivables	105	92	98	87
Prepayments	611	507	115	113
Fair value of derivative forward contracts	—	244	—	—
	8,072	8,959	5,245	5,168

Trade receivables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Sterling	6,015	7,075	—	—
Euro	1,341	1,041	—	—
	7,356	8,116	—	—

Out of the carrying amount of trade receivables of £7,356,000 (2012: £8,116,000), £1,903,000 (2012: £1,987,000) 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 2013 trade receivables at a nominal value of £293,000 (2012: £374,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
At 1 April	374	252	—	—
Charge for year	152	231	—	—
Amounts written off	(233)	(109)	—	—
At 31 March	293	374	—	—

As at 31 March 2013, the analysis of trade receivables that were past due but not impaired is as follows:

	Neither past due nor impaired		Past due but not impaired				
	Total		<30 days	30–60 days	60–90 days	90–120 days	>120 days
	£000	£000	£000	£000	£000	£000	£000
2013	7,356	5,036	1,676	219	291	134	—
2012	8,116	5,631	2,088	234	69	94	—

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

16 TRADE AND OTHER RECEIVABLES continued

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Debtors where external credit ratings have been sought	6,586	7,156	—	—
Debtors where internal credit assessments have been made	770	960	—	—
	7,356	8,116	—	—

Of the balance in respect of counterparties with internal ratings 2% (2012: nil%) is in respect of new customers, and 98% (2012: 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	
	2013	2012	2013	2012
	£000	£000	£000	£000
UK corporation tax	—	—	16	47

17 CURRENT LIABILITIES

Financial liabilities

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Bank overdraft	981	1,558	3,826	3,055

The overdraft is held with HSBC Bank plc as part of the Group facility of £5,000,000, is secured on the assets of the business, is repayable on demand and is renewable in May 2014. Interest is payable at 2.0% (2012: 2.00%) over base rate.

Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade creditors	5,522	6,140	—	—
Amounts due to subsidiary undertakings	—	—	607	606
Other taxation and social security	673	779	45	28
Other creditors	341	391	42	—
Accruals	1,097	1,316	383	586
Share-based payments	—	58	—	58
Fair value of derivative forward contracts	298	—	—	—
	7,931	8,684	1,077	1,278

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.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

17 CURRENT LIABILITIES continued

Provisions

	Legal £000	Group Reorganisation £000	Total £000
As at 31 March 2011	—	85	85
Utilised	—	(85)	(85)
As at 31 March 2012	—	—	—
New provision	26	—	26
As at 31 March 2013	26	—	26

Reorganisation

Provision in respect of integrating the assets acquired from the administrators of Jebron Ltd into Exidor, fully utilised during the prior year.

Legal

Provision in respect of offer made to date and future legal costs anticipated to be incurred in defence of back pay claim by Group employees.

18 NON-CURRENT LIABILITIES

Provision for liabilities

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred taxation	141	133	15	24

Deferred tax liabilities

	2013 £000	2012 £000
Group liabilities		
Temporary differences relating to capital allowances	66	—
Temporary differences relating to cash flow hedges	—	55
Capital gains rolled over	75	78
	141	133
Company liabilities		
Temporary differences relating to capital allowances	15	24

18 NON CURRENT LIABILITIES continued

Deferred tax assets

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Temporary differences relating to capital allowances	—	(86)	—	—
Temporary differences relating to pension scheme deficit	900	735	900	735
Temporary differences relating to cash flow hedges	45	—	—	—
Temporary differences relating to share options	46	150	46	150
Other temporary differences	167	257	—	12
	1,158	1,056	946	897

Other temporary differences include a deferred tax asset of £161,000 (2012: £187,000), recognised in respect of carried forward trading losses. A deferred tax asset is recognised in respect of tax losses carried forward only to the extent that there is a reasonable expectation that the losses will be recoverable within the foreseeable future. Group tax losses not carried forward for which a deferred tax asset has not been recognised total £nil (2012: £nil). The deferred tax asset relating to the pension scheme deficit is deemed recoverable based upon the contributions into the pension scheme which are designed to return the scheme to a fully funded position by April 2020.

Deferred taxation

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Movement in net deferred taxation during the year				
Net asset brought forward	(923)	(678)	(873)	(563)
Pension provision movement	(204)	(223)	(204)	(223)
Movement relating to cash flow hedges	(102)	120	—	—
Movement on other temporary differences	64	(56)	4	3
Movement relating to share options	104	(150)	104	(150)
Movement on change in corporation tax rate	44	64	38	60
	(1,017)	(923)	(931)	(873)

Of the total deferred tax credit of £94,000 (2012: £245,000), a charge of £116,000 (2012: £38,000) was recognised within the income statement, a credit of £314,000 (2012: credit of £133,000) was recognised within other comprehensive income and a charge of £104,000 (2012: credit of £150,000) recognised within the statement of changes in equity.

19 SHARE CAPITAL

	2013	2012
	£000	£000
Allotted, called up and fully paid		
7,958,126 (2012: 7,949,536) Ordinary shares of 25p	1,990	1,987

During the year 8,590 shares (2012: 141,508) were issued to Directors to satisfy share options at nil (2012: nil) cost.

During the year 273,220 share options lapsed (2012: 357,334), nil were granted (2012: nil) and 539,078 (2012: nil) were forfeit.

On 11 July 2012 a share placement of 370,370 ordinary shares with Diverse Income Trust plc occurred for a total consideration of £500,000. As a result share capital increased by £92,593 and share premium by £407,402.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

20 SHARE-BASED PAYMENTS

The Company had three share option schemes used to incentivise the Directors of the Group and certain subsidiary company Directors. Details of the two equity settled schemes used to incentivise the Directors of the Group are set out in the Remuneration Committee Report on page 29.

In addition, cash settled options were issued to certain key managers within the business under a phantom share option scheme. The options became exercisable in February 2013 subject to the satisfaction of performance conditions set by the Remuneration Committee of the Company. During the year all cash settled options were forfeit due to recipients leaving the Group.

Under all schemes, options lapse if the employee leaves the Group subject to certain exceptions set out in the scheme rules. Due to the small number of individual grants made, each individual option is priced using the Black Scholes pricing model, rather than applying the model to weighted average figures for options granted in each year.

Relevant options outstanding during the year were as follows:

	Weighted average		Remaining
	No. of options	Exercise price (p)	contractual life (years)
At 31 March 2011	1,845,595	43.7	7.2
Lapsed	(357,334)	36.3	5.0
Exercised	(141,508)	—	—
At 31 March 2012	1,346,753	50.3	7.0
Lapsed	(273,220)	51.2	6.7
Forfeited	(539,078)	48.2	5.1
Exercised	(8,590)	52.8	n/a
At 31 March 2013	525,865	52.8	3.7

525,865 (2012: Nil) shares were exercisable at the end of the year.

The market price at date of share exercise during the year was 119.5p (2012: 132p).

Based on the following assumptions at 31 March 2013, the total fair value of options was £34,000 (2012: £232,000), of which £11,000 was credited to the income statement (2012: charge of £113,000). The fair value of options granted in the year was £nil (2012: £nil). The exercise price of options as at 31 March 2013 is 52.8p (2012: range between nil p to 52.8p).

The mid-market price of the shares at 31 March was 102p (2012: 144p) and during the year ranged between 187.5p and 102p (2012: between 93.5p and 160p).

419,078 options in favour of Mark Bache were forfeited following his removal from the Board in addition to 120,000 options forfeited following certain employees leaving the Group.

The total credit for the year of £69,000 (2012: charge of £148,000) is split £58,000 (2012: £35,000) for cash settled options and £11,000 (2012: £113,000) for equity settled options. A liability of £nil (2012: £58,000) is included for the cash settled options at the year end.

21 FIXED ASSET INVESTMENTS

		£000
Shares in subsidiary undertakings		
Cost at 1 April 2012 and 1 April 2013		8,159
Wholly owned operating subsidiaries	Principal activity	
Chamberlin & Hill Castings Ltd	Manufacture and sale of engineering castings	
Russell Ductile Castings Ltd	Manufacture and sale of engineering castings	
Exidor Ltd	Manufacture and sale of architectural hardware	
Petrel Ltd	Manufacture and sale of lighting, switchgear and electrical installation products	

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

22 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 2013 was £276,000 (2012: £286,000) plus £200,000 of financing cost (2012: £79,000).

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 £276,000 (2012: £286,000). The notes below relate to the defined benefit scheme.

The actuarial liabilities have been calculated using the Projected Unit method. The major assumptions used by the actuary were (in nominal terms):-

	At 31 March 2013	At 31 March 2012	At 31 March 2011
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase of pensions in payment — post 1997 accrual only	3.2%	3.1%	3.4%
Discount rate	4.2%	4.7%	5.5%
Inflation assumption — RPI	3.3%	3.1%	3.4%
Inflation assumption — CPI	2.2%	2.0%	2.9%

Demographic assumptions are all based on the S1NA mc mortality tables with a 1% annual increase. The post retirement mortality assumptions allow for expected increases in longevity. The current disclosures relate to assumptions based on longevity in years following retirement as of the balance sheet date, with future pensioners relating to an employee retiring in 2032.

	2013 Years	2012 Years
Current pensioners at 65 — male	20.5	20.4
— female	23.2	23.2
Future pensioners at 65 — male	21.9	21.8
— female	24.6	24.5

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 has been renegotiated with the Trustees and with effect from 1 April 2013 will increase to £26,782 per month (previously £26,217 per month), with a 3% annual increase thereafter, designed to return the scheme to a fully funded position by April 2020.

The contributions expected to be paid during the year to 31 March 2014 are £321,000.

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.

NOTES TO THE ACCOUNTS continued

at 31 March 2013

22 PENSION ARRANGEMENTS continued

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

	2013		2012	
	Rate of return %	Value £000	Rate of return %	Value £000
Equities/diversified growth fund	6.50	6,236	6.60	6,039
Gilts	3.00	4,584	3.10	4,209
Bonds	4.20	1,083	4.70	962
Property	6.00	1,101	6.10	1,104
Insured pensioner assets	4.20	58	4.70	53
Cash	0.50	75	0.50	106
Market value of assets		13,137		12,473
Actuarial value of liability		(17,050)		(15,534)
Recoverable deficit in scheme		(3,913)		(3,061)
Related deferred tax asset		900		735
Net pension liability		(3,013)		(2,326)

Recognised as finance cost

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Expected return on pension scheme assets	514	702
Interest on pension liabilities	(714)	(781)
Net return disclosed in finance cost	(200)	(79)

Analysis of amount recognised in consolidated Statement of other Comprehensive Income

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Actual return less expected return on assets	441	(222)
Other actuarial loss on liabilities	(1,497)	(984)
Actuarial loss recognised in the Statement of other Comprehensive Income	(1,056)	(1,206)
Cumulative actuarial losses recognised in the Statement of other Comprehensive Income	(3,030)	(1,974)

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the Group statement of other comprehensive income is a loss of £3,030,000 (2012: loss of £1,974,000). 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 other comprehensive income before 1 January 2004.

22 PENSION ARRANGEMENTS continued

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Actual gain on plan assets	955	480

Movement in deficit during the year

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Deficit in scheme at beginning of year	(3,061)	(2,202)
Movement in year:		
Employer contributions	404	426
Net expected return on assets	(200)	(79)
Actuarial loss	(1,056)	(1,206)
Deficit in scheme at end of year	(3,913)	(3,061)

Movement in scheme assets

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Fair value at beginning of year	12,473	12,432
Expected return on scheme assets	514	702
Actuarial (losses)/gains	441	(222)
Employer contributions	404	426
Benefits paid	(695)	(865)
Fair value at end of year	13,137	12,473

Movement in scheme liabilities

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
Benefit obligation at start of year	15,534	14,634
Interest cost	714	781
Actuarial loss	1,497	984
Benefits paid	(695)	(865)
Benefit obligation at end of year	17,050	15,534

NOTES TO THE ACCOUNTS continued

at 31 March 2013

22 PENSION ARRANGEMENTS continued

Experience gains and losses

		Year to 31 March 2013 £000	Year to 31 March 2012 £000	Year to 31 March 2011 £000	Year to 31 March 2010 £000	Year to 31 March 2009 £000
Difference between expected and actual return on scheme assets	£000	441	(222)	(185)	2,423	(3,118)
	% of assets	3.4%	(1.8)%	(1.5)%	19.6%	(31.8)%
Experience gains on scheme liabilities	£000	—	—	100	—	—
	% of liabilities	—	—	1.0%	—	—
Other (gains)/losses on scheme liabilities	£000	1,497	984	(126)	2,995	2,136
	% of liabilities	8.8%	6.3%	(0.9)%	20.3%	18.3%
Net (losses)/gains	£000	(1,056)	(1,206)	(59)	(572)	(982)
	% of liabilities	(6.8)%	(7.8)%	(0.4)%	(3.9)%	(8.4)%

23 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 2013 amounted to £nil (2012: £nil).

24 FINANCIAL COMMITMENTS

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Capital expenditure				
Contracted for but not provided in the accounts	88	47	25	19

Lease commitments

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

	Group	
	2013 £000	2012 £000
Future minimum payments due:		
Not later than one year	434	356
After one year but not more than five years	1,578	1,110
After five years	26	270
	2,038	1,736

Leases on land and buildings comprise the lease for the Leicester foundry (£270,000 per annum with an end date, subject to earlier termination, of 31 March 2018) and the lease for the premises of Petrel Limited (£60,000 per annum with an end date of 20 August 2019).

The lease on the Leicester foundry is terminable by the Company only on 12 months notice. The lease on Petrel's premises is terminable by the Company on 6 months notice prior to 20 August 2014.

25 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.

The carrying amount of financial assets and financial liabilities are not materially different to their fair value.

The Company is only exposed to interest rate risk.

Currency risk

The Group's functional currency is sterling but approximately 20% of revenues are denominated in foreign currencies, principally Euros in relation to castings exports. In order to reduce the Group's exposure to currency fluctuations the Group sells approximately 80% of its expected Euro revenues on forward currency contracts of 12 months or less. At the year end it had net monetary assets denominated in Euros of £942,000 (2012: £1,062,000). Because 80% of the Euro debtors are hedged, the impact on net monetary assets of a 5% change in the Euro/Sterling exchange rate would not be material to the P&L.

At 31 March 2013, the Group held forward currency hedging contracts designated as hedges of expected future Euro exports for highly probable forecast sales transactions. The forward currency contracts are being used to hedge the foreign currency risk of highly probable forecast sales over the next year.

The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments and the cash flow hedges of expected future sales were assessed to be highly effective.

Forward currency contracts for the sale of Euros outstanding at the year end have been recorded at fair value with the movement being recognised directly in other comprehensive income through the statement of comprehensive income. If these contracts were not in place and the Euro/Sterling exchange rate moved by plus or minus 5% the corresponding gain/loss to equity would be £296,000 (2012: £368,000).

A risk to the Group relates to ineffective hedges where by highly probable sales do not occur and the Group is over hedged against those particular sales. During the year a number of forward contracts were identified as being ineffective. As such a charge of £69,000 was taken to non-underlying items in the income statement where this would normally have gone through equity in the hedge reserve. This represents the fair value movement since the interim date, the date where effectiveness was last achieved.

	Contracted amount (Euros 000)	Weighted average contract rate	Contracted amount £000	Weighted amount at year end rate £000	Unrealised gain/(loss) £000
At 31 March 2013	7,700	1.237	6,226	6,514	(288)
At 31 March 2012	8,950	1.157	7,735	7,460	275

Interest rate risk

The Group operates an overdraft facility with HSBC Bank plc and has no other borrowings. Exposure to interest rate risk is considered to be low and no derivatives are used to modify the Group's interest rate risk profile. The impact of a 50 basis point increase in UK interest rates would be a £5,000 reduction in profit before tax (2012: £8,000). An equivalent decrease in rates would increase profit before tax by £5,000 (2012: £8,000).

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

Cash and cash equivalents/(bank overdraft)

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank overdraft (Sterling denominated)	(611)	(1,579)	(3,826)	(3,055)
Bank overdraft (Euro denominated)	(370)	21	—	—
	(981)	(1,558)	(3,826)	(3,055)

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

NOTES TO THE ACCOUNTS continued

at 31 March 2013

25 DERIVATIVES AND FINANCIAL INSTRUMENTS continued

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 significant concentrations of credit risk within the Group.

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

The bad debt charge for the year was £152,000 (2012: £231,000).

Liquidity risk

The Group aims to mitigate liquidity risk by managing the cash generation of its operating units, and applying cash generation targets across the Group. Investment is carefully controlled, with authorisation limits operating up to Group Board level and cash payback periods applied as part of the investment appraisal process. In this way the Group aims to maintain a good credit rating and operate within its existing facilities. There are no material differences between the fair values and carrying values of the financial assets and liabilities.

The Group's funding strategy is to maintain flexibility in managing its day to day working capital needs through the use of an overdraft facility which is not subject to financial covenants, and to fund acquisitions and significant capital projects through the use of longer term funding including bank loans and equity. The Group's £5.0m overdraft facility is renewable annually and was renewed post year end with the next date for renewal of May 2014.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs have a significant effect on the recorded fair value that are not based on observable market data.

All derivative assets and liabilities are valued by Level 2 techniques.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2013 and 31 March 2012:

Non-derivative financial liabilities	On demand	Less than 3 months	3 to 12 months	Total
At 31 March 2013				
Bank overdraft	981	—	—	981
Trade and other payables	—	5,522	—	5,522
	981	5,522	—	6,503
At 31 March 2012				
Bank overdraft	1,558	—	—	1,558
Trade and other payables	—	6,140	—	6,140
	1,558	6,140	—	7,698

25 DERIVATIVES AND FINANCIAL INSTRUMENTS continued

The gross undiscounted future cashflows are analysed as follows:

Derivative financial liabilities	On demand	Less than 3 months	3 to 12 months	Total
At 31 March 2013				
Foreign Exchange forward contracts	—	1,967	4,547	6,514
	—	1,967	4,547	6,514
At 31 March 2012				
Foreign Exchange forward contracts	—	1,912	5,548	7,460
	—	1,912	5,548	7,460

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £8,293,000 (2012: £9,043,000). The Group objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term shareholder value. Chamberlin is not subject to any externally-imposed capital requirements and there are no financial covenant restrictions on the Group's overdraft facility.

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 of less than 50% provides an efficient capital structure and an appropriate level of financial flexibility. At 31 March 2013 the net debt ratio was 12% (2012: 17%).

It is the Group's policy to pay progressive dividends that are appropriately covered by earnings.

26 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.

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Short-term employee benefits (including employer's NI)	1,220	1,501	580	797
Termination costs (including employer's NI)	208	—	80	—
Share-based payments	(69)	148	(11)	113
Pension contributions	65	70	29	32
	1,424	1,719	678	942

Key management, other than Directors of the Company, comprise the Managing Directors and Finance Directors of the main operating subsidiaries and are included in Group figures above.

Details of key management share options are disclosed in note 20.

NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

- ▶ 11.00am on 16 July 2013; or,
- ▶ If this Meeting is adjourned, at 10.00am on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the AGM.

Notice is hereby given that the Annual General Meeting of the Company will be held on Thursday 18 July 2013 at the Registered Office, Chuckery Road, Walsall at 2.00p.m. for the following purposes:

TO CONSIDER AND, IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS:

1. To receive and adopt the Report of the Directors, Annual Accounts and Report of the Auditors for the year ended 31 March 2013 (Resolution 1).
2. To declare a Final Dividend for the year ended 31 March 2013 of 2.0 pence per ordinary share of 25 pence each in the capital of the Company ("Ordinary Shares") to be paid on 26 July 2013 to members whose names were on the register of members at the close of business on 5 July 2013 (Resolution 2).
3. To re-elect as a Director Keith Butler-Wheelhouse (Resolution 3).
4. To re-elect as a Director Tim Hair (Resolution 4).
5. To re-elect as a Director Keith Jackson (Resolution 5).
6. To re-elect as a Director Alan Howarth (Resolution 6).
7. To approve the Directors' Remuneration Report for the year ended 31 March 2013 (Resolution 7).
8. To reappoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix the remuneration of the Auditors (Resolution 8).
9. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (in substitution for all existing authorities under section 551 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £663,177 provided that (unless previously revoked, varied or renewed) such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 18 October 2014, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance to such offers or agreements as if this authority had not expired (Resolution 9).

TO CONSIDER AND, IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS:

10. That, subject to the passing of Resolution 9 and pursuant to section 570 of the Companies Act 2006 the Directors be and are hereby generally empowered (in substitution for all existing powers under section 570 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 9 as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities

(a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

- ii. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
- iii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- (b) otherwise than pursuant to paragraph 10(a) of this Resolution, up to an aggregate nominal amount of £99,476, and (unless previously revoked, varied or renewed) this power shall expire at the earlier of the conclusion of the next Annual General Meeting, of the Company or 18 October 2014, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance of such offers or agreements as if this authority had not expired (Resolution 10).

11. That the Company be and hereby is generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:

- (a) the maximum aggregate number of Ordinary Shares which may be purchased is 795,812;
- (b) the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is 25 pence;
- (c) the maximum price which may be paid for each Ordinary Share is an amount equivalent to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange Plc for the five business days immediately preceding the day on which the Ordinary Share in question is purchased,

and (unless previously revoked, varied or renewed) this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 18 October 2014, save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired (Resolution 11).

By order of the Board

Tim Hair
Company Secretary
21 May 2013

Chuckery Road
Walsall
WS1 2DU

GENERAL INFORMATION

A member is entitled to appoint another person (whether a member or not) as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the Meeting 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 2:00pm on 16 July 2013 (or if the Meeting is adjourned, not later than 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned 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.

A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

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 copies of contracts of service of Directors (including letters of appointment of non-executive Directors) with the Company or with any of its subsidiary undertakings.

Biographical details of all Directors who are offering themselves for re-election at the meeting are set out on page 20 of the enclosed annual report and accounts.

An explanation of Resolutions 9, 10 and 11 is set out in the Report of the Directors on page 24.

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

SHAREHOLDER INFORMATION

DIRECTORS

Keith Butler-Wheelhouse (Non-executive Chairman)

Tim Hair (Chief Executive)

Keith Jackson (Non-executive)

Alan Howarth (Non-executive)

COMPANY SECRETARY

Tim Hair

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



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www.chcastings.co.uk

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Visit us online

For more information on Chamberlin Group operations please visit our website at

www.chamberlin.co.uk

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