chamberlin plc

difficult things done well

Annual Report and Accounts
for the year ended 31 March 2014
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.

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

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

www.chamberlin.co.uk

Contents

KEY POINTS

Revenues
£38.6m

While revenues are down 8.6% year-on-year, they have stabilised with second half revenues only 2.1% down on the first half.

Underlying profit before tax
(£818k)

Second half underlying profit before tax reduced to (£179k) reflecting improvement in the second half

Bank facilities
Refinanced

Debt facility increased from £5.0m at 31 March 2013 to £7.3m at 31 March 2014

Highlights

- Senior management team appointed in September 2013
- Revenues down 8.6% to £38.6m (2013: £42.3m)
- Exceptional costs £1.0m – mainly reflects turnaround measures
- Dividend suspended until justified by the trading performance of the Group
- Board expect return to profitability in 2014/15

REVENUE (£M)

£38.6

2014	38.6
2013	42.2

UNDERLYING PROFIT BEFORE TAX (£000)

£(818)

2014	(818)
2013	1,281

STATUTORY PROFIT BEFORE TAX (£000)

£(2,116)

2014	(2,116)
2013	799

UNDERLYING DILUTED EARNINGS PER SHARE (pence)

(7.6)

2014	(7.6)
2013	14

DIVIDEND PER SHARE (pence)

0.0

2014	0.0
2013	3.3

CASH GENERATED FROM OPERATIONS (£000)

(£1,425)

2014	(1,425)
2013	2,260

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Chairman's Statement

Keith Butler-Wheelhouse

Introduction

I am pleased to report a significant improvement in Chamberlin's performance which has led to a reduction in the level of losses in the second half.

The improvement principally reflects actions taken by the new management team to stem losses and address the reduction in revenues within the foundry operations. While foundry revenues are down by 14% year-on-year, they have stabilised with second half revenues only 3% down on the first half. As we previously reported, the light castings operations at Walsall showed most resilience with revenues down 3.5% while the medium and heavy castings business experienced reduced demand from key markets, including construction, quarrying and mineral processing, and power generation. By contrast the Group's engineering businesses, which accounted for 25% of Group sales, delivered revenue growth of 12% and a significant increase in operating profits.

We start the new financial year in a significantly better position than the last and while there are still challenges, we look forward to the Group returning to sustained profitable growth ahead of our original plans.

Results

Revenues for the year ended 31 March 2014 were down 8.6% to £38.6m (2013: £42.3m). As a result, the Group generated an underlying loss before tax of £0.8m (2013: profit of £1.3m).

The diluted underlying loss per share was 7.6p with the second half loss at 0.8p versus the first half loss of 6.8p (2013: earnings per share of 13.4p).

On a statutory basis, the loss before tax was £2.1m (2013: profit of £0.8m), and diluted statutory loss per share was 20.2p (2013: earnings per share of 9.0p).

Reflecting the poor operational performance, Chamberlin incurred an operating cash outflow of £1.5m (2013: inflow of £2.3m). The Group's overdraft and net borrowings at 31 March 2014 increased to £3.6m (2013: £1.0m). The Group's borrowings were previously financed by a £5.0m overdraft facility. However, during the year, we agreed new asset backed debt facilities totalling £7.3m. This comprises a £6.0m invoice discounting facility, a £0.8m loan, and a £0.5m overdraft.

Dividend

At the half year, we reported that the Board had decided to suspend the payment of dividends until the Group's trading performance justified the restoration of payments and we are therefore not recommending the payment of a final dividend (2013: total 3.25p).

The Board

In September 2013, we were delighted to welcome Kevin Nolan and David Roberts to the Board as Chief Executive and Finance Director respectively.

Kevin Nolan has 30 years' senior level experience in the engineering sector and joins Chamberlin from global materials engineering group, Wall Colmonoy Ltd, where he was Managing Director. He previously worked for Doncasters Group Ltd, the international engineering group which manufactures precision components and assemblies where he successfully led the expansion of a number of the Group's business units and latterly was appointed Divisional Managing Director of Doncasters' largest division, Doncasters Turbine Airfoils and Structural Castings Division.

David Roberts has substantial experience in senior financial roles within the manufacturing and engineering sectors. He was previously at Titanium Metals Corporation, a global producer of titanium melted and mill products, where he was European Finance Director. Before this, he worked for Britax International plc as Divisional Finance Director of Rear Vision Systems, a supplier of original equipment exterior mirrors for passenger cars and light trucks to automotive manufacturers worldwide.

Staff

On behalf of the Board, I would like to thank all our staff for their tremendous efforts over a very challenging year. Their hard work will help to underpin Chamberlin's continuing turnaround.

Strategy & Outlook

At the half year, we reported that the new management team was focused on evaluating the necessary actions to return the Leicester and Scunthorpe foundry operations to profitability and at the same time, reviewing both the cost base and the Group's growth plans.

The significant improvement in the Group's second half performance is encouraging and reflects some of the benefits of the actions already taken. We believe that there is further scope to reduce costs and improve productivity, which remains a key focus. The team is also working on business development and on improving processes. Management efforts remains focused on increasing sales in the existing businesses to improve capacity utilisation.

We start the new financial year in a significantly better position than the last and while there are still challenges, we look forward to the Group returning to sustained profitable growth ahead of our original plans.

Keith Butler-Wheelhouse
Chairman
20 May 2014

Group Overview

Product areas

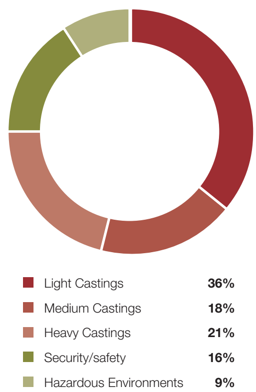
Chamberlin operates across five locations in the UK. The Foundry Division specialises in technically demanding castings in complex shapes and in specialist metallurgies.

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.

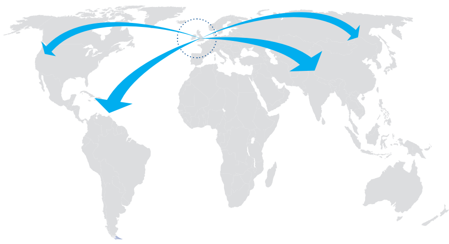
The two engineering businesses supply to regulated markets operating from two sites in the West Midlands.

REVENUE BY BUSINESS



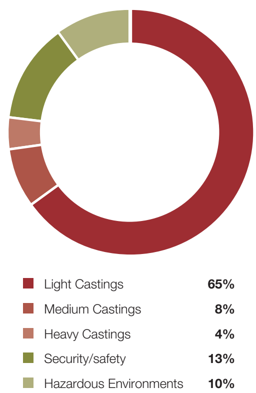
Global sales

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



Approximately 70% of output is ultimately exported. Direct exports account for 35% 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, JCB and Tata Steel, are typically leaders in their sectors.

DIRECT EXPORTS



UK Manufacturing

HEAD OFFICE

1 Walsall

FOUNDRIES

2 Chamberlin & Hill Castings, Walsall

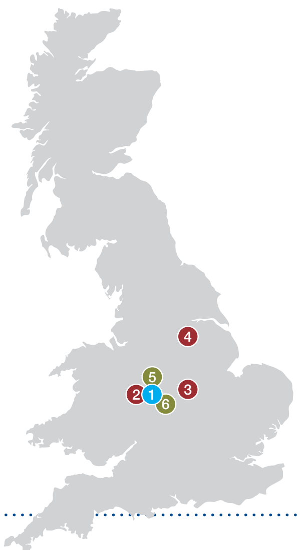
3 Chamberlin & Hill Castings, Leicester

4 Russell Ductile Castings, Scunthorpe

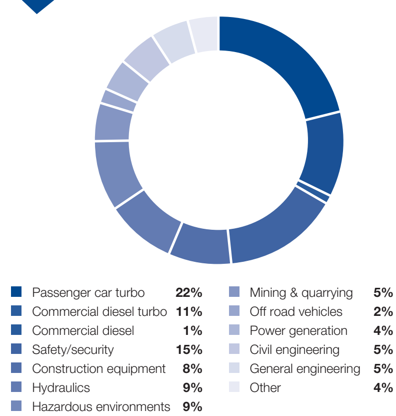
ENGINEERING

5 Exidor, Cannock

6 Petrel, Birmingham



MARKETS SERVED



Foundry Business

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

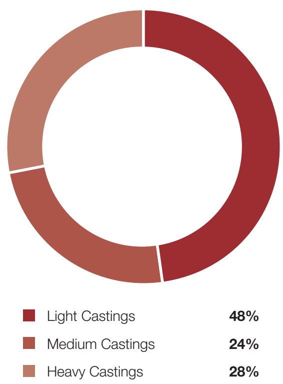
Chamberlin & Hill Castings Ltd

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.

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.

REVENUE BY BUSINESS



Read more on **page 10**

Engineering Business

The Engineering Division currently comprises Exidor Ltd and Petrel Ltd.

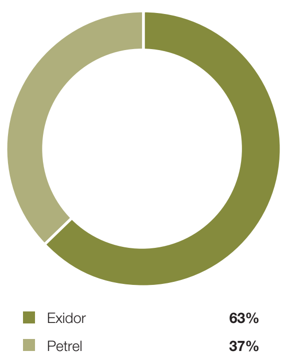
Exidor Ltd

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 Jebron Ltd.

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.

REVENUE BY BUSINESS



Read more on **page 11**

Chief Executive's Review

Kevin Nolan

The financial year to 31 March 2014 saw mixed trading conditions. Group sales are down 8.6% compared to 2013, with sales from Foundry activities down 14% and offsetting good growth in the Engineering businesses of 12%. The slowdown in the Foundry Division was especially apparent in the power generation, quarrying and mineral processing sectors, but there was also a reduction in order levels in turbocharger casings and housings. Although underlying demand remains subdued our focus during the second half of the financial year under review was to significantly reduce cost and improve productivity. At the same time we have implemented a more strategic approach to business development and the identification of new opportunities.

While it has been a difficult year, good progress has been made and we are encouraged by the improvement in performance in the second half of the year. We believe that Chamberlin's prospects for the medium term remain attractive.

Foundries

Foundry revenues show a 14% reduction year-on-year to £29.1m (2013: £33.7m), with revenues at the Leicester and Scunthorpe foundries especially impacted by lower demand while the Walsall foundry showed only a 3.5% year-on-year reduction. Encouragingly, foundry revenues in the second half have stabilised, with a 3% reduction between the second and first half. The total operating loss was £0.2m (2013: profit of £2.2m) but there was a significant improvement in the second half performance with a marginal operating profit of £0.04m against a loss of £0.28m in the first half. During the second half we brought the operations of the three foundries under a single management structure to create a Foundry Division. This has eliminated duplicate roles and reduced costs.

Our foundry at Walsall specialises in producing small castings which have complex internal geometry, in mid-to-high volumes. It uses multiple grades of grey cast iron and the castings are typically below 3kg in weight. Its expertise in the development and production of castings with complex internal passages is well established and the complex geometry is achieved through the use of innovative core assembly techniques. 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. Turbochargers accounted for 35.0% of the Foundry Division sales (2013: 31.3%). Legislation to reduce CO_2 emissions is promoting the introduction of smaller, turbocharged petrol engines and this technology shift is continuing.

During 2013/14 the Walsall foundry commissioned a chemical cleaning plant, enabling castings to be despatched clear of any sand or potential blockages. It also alleviates stresses that could be induced into the castings from alternative cleaning methods. This additional process has reduced lead time and improved quality.

Our foundry in Leicester produces mid-size castings typically around 20kg, with moderately complex internal shapes although typically with demanding metallurgy requirements around temperature, strength and wear resistance. A major market for the Leicester foundry is the construction equipment industry, and demand from this sector weakened significantly in the financial year. In addition, as previously reported, the Leicester foundry experienced severe operational problems during the year which increased scrap rates and created inefficiencies due to machine downtime. We took remedial action, which has rectified the issues. However, the additional one-off cost incurred during the financial year was £0.5m. While demand remains subdued at Leicester, work is underway to broaden the customer base.

Our foundry in Scunthorpe specialises in the production of heavy castings weighing up to 6,000kg which have 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. The foundry also takes responsibility for machining the castings, via a range of sub-contractors, and so a large proportion of its output is supplied as a finished part. Demand from its key markets during the financial year remained subdued and we took action to reduce the foundry's cost base to ensure a lower breakeven point. This has created a stronger platform which will help to ensure increased margin when volumes return. We are currently working closely with customer design engineers on high impact resistance irons to develop existing grades to a better performance level.

All foundries in the Group benefit from advanced thermal analysis testing equipment which allows a greater level of understanding and control of the base irons before the metal is committed to pouring into moulds. By associating this with the current casting simulation software we are able to advise on all aspects of production from the initial design stages.

Pictured: Centre Case and Bearing Support castings for gas turbine

Engineering

Revenues from the engineering operations rose by 12% year-on-year to £9.5m (2013: £8.5m) and operating profits rose 76% to £0.7m (£2013: £0.4m). This Division now accounts for approximately 25% of Group revenues.

Exidor

Exidor is the UK market leader in panic and emergency exit door hardware, and in 2011 it expanded into the market for door closers through the acquisition of Jebron, thereby broadening its offering to its existing panic hardware customers. Exidor has continued to consolidate its UK market leading position in panic hardware and to improve its share of the door closer market, and to service the emerging need for physical security to protect high value retail infrastructure and critical national infrastructure. Exidor has been targeting increased export sales and I am pleased to report significant success, driven by a more strategic approach to new export market selection and development. We expect to see continuing growth in exports over the current year and beyond.

Exidor operates in a highly regulated market as its products are for life-critical applications and its customers place great value upon the assurance of genuinely British designed, manufactured and certified product.

Petrel

Petrel Limited manufactures lighting and control equipment for use in hazardous areas. The Company was established over 30 years ago and provides high quality products, designed for use in the rigorous and demanding environments classified as hazardous areas. It has established a reputation for high quality design, development and production and supplies customers in the UK, European and International markets.

To complement their existing hazardous area lighting portfolio, Petrel Limited recently entered the LED market and now provides its customers with solutions that carry the additional 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. This technology continues to develop at a considerable pace and the Petrel LED offer utilises the very latest technology to ensure that customers can achieve the optimum benefits in terms of light output and reduced maintenance.

The very latest product launched is a portable light fitting. The PLX range is designed for use in a wide variety of Zone 1/21 hazardous area applications. Manufactured solely in the UK, it will provide users with a robust, reliable lighting solution whilst remaining light enough to be carried around on site with ease. Available in both fluorescent and LED versions, this product utilises the very latest in lighting technology to deliver high levels of lighting in a truly portable fitting. During 2014 1.7% of sales (2013: 0.0%) were from portable lighting and LED. Further growth opportunities are expected to come from both product offerings.

Outlook

The significant improvement in the underlying loss position of the Group in the second half of the year is very encouraging and we believe that Chamberlin should return to profitability during the new financial year. This will largely reflect the stabilisation in revenues and the realigned cost base. We believe that there is continuing scope to improve efficiencies and this remains a strong focus in the new financial year. At the same time, we are concentrating on driving new opportunities across the Foundry Division. Given the gestation period, we would expect to see the material results of these efforts to become more apparent in the financial year ending 31 March 2016. We expect to see continuing good progress within the two engineering operations.

I remain very encouraged by prospects for enhanced performance.

Kevin Nolan
Chief Executive
20 May 2014

Bright Sparks

Bringing technical expertise in-house

During 2013/14 the Walsall foundry commissioned a chemical cleaning plant, enabling castings to be despatched clear of any sand or potential blockages. It also alleviates stresses that could be induced into the castings from alternative cleaning methods. This additional process has reduced lead time and improved quality.

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

www.chamberlin.co.uk

Measurements and Targets

Business performance is measured through Group wide targets and improvement measures.

Each Chamberlin business unit participates in an annual round of planning meetings with the Executive Management, during which performance and future plans for that business are reviewed and updated. These business plans are all aligned with the Group business strategy and include specific local and divisional targets and key performance indicators (KPIs).

In addition, individual business reviews take place throughout the year on a regular basis enabling the Board to assess performance against tactical and strategic milestones.

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 2014	Year to 31 March 2013*
Return on sales	Foundries	**(0.8)%**	6.4%
	Engineering	**7.1%**	4.5%
	Group	**(2.0)%**	3.1%
Return on net assets	Foundries	**(2.4)%**	22.8%
	Engineering	**18.7%**	11.9%
	Group	**(10.9)%**	15.9%
Sales per employee (£000)	Foundries	**£95.0**	£99.9
	Engineering	**£97.0**	£89.7
	Group	**£93.4**	£95.7
Accident frequency rate	Foundries	**9.3**	14.3
	Engineering	**4.9**	1.3
	Group	**8.4**	12.9

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).

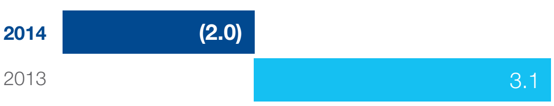
Sales per employee
The ratio of the segment's sales to the segment's average number of employees.

Accident frequency rate
The number of accidents per 100,000 hours worked averaged for the full year.

* 2013 KPIs have been amended to reflect the adoption of IAS 19 (revised) and changes to the Group's segmental analysis methodology.

RETURN ON SALES (%)

(2.0)



RETURN ON NET ASSETS (%)

(10.9)

SALES PER EMPLOYEE (£000)

93.4

ACCIDENT FREQUENCY RATE PER 100,000 HOURS

8.4

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 14 to 16 .

Risk	Description of Risk & Potential Impact	Mitigation
Foreign currency fluctuation	Approximately 20% of Group revenue is derived in Euros. Significant fluctuations could have a material impact on the financial performance of the Group.	Group sells Euros forward in order to provide an effective hedge.
Raw material pricing fluctuation	The price of many raw materials is dependent upon movements in commodity prices, especially iron.	The Group negotiates, where appropriate, price surcharge arrangements into its customer contracts.
Failure of our health, safety and environmental (HSE) controls resulting in harm to employees or other stakeholders	We recognise that we have a duty of care to our employees. We have made great progress in recent years but understand the impact on our employees from the failure of this obligation. This could result in injury or death to our employees or to others and environmental damage with the consequential impact of reputational damage and risk of regulator action.	Established processes are in place to ensure that health, safety and environmental matters are appropriately addressed and any such risks are minimised including monthly reporting to, and review at the Executive Committee. Specialist HSE employees to provide support and guidance to businesses including the conduct of regular risk control and health and safety audits.
IT failure/system collapse and loss of data	We utilise a significant number of IT systems to support the Group's production, technology, marketing, sales and financial functions. Failure of any of the systems, corruptions or loss of data could have a major impact on operations.	Development and regular testing of business continuity plans. Ensuring business continuity plans are robust and address temporary unavailability of IT systems. Strategy to upgrade and replace key systems.
Market deterioration	We are a capitally intensive business with a high level of fixed costs. Deterioration in our key markets could have a material impact on the financial performance of the Group.	The Group sells into a wide variety of different markets, selling a diversified product range. We strive to work with our key customer to introduce new products and are constantly seeking to identify new business segments and geographical locations into which to sell our products.
Production failures	Due to the complex technical nature and fine production tolerances of our products, an unstable production process can result in significant scrap which could have a significantly adverse impact on results.	The Group seeks to employ a skilled workforce backed by a highly experienced technical and production team in order to provide the relevant experience and skill set to mitigate any production failures.

The Group's approach to managing other financial risk is set out in note 25 to the financial statements.

Foundry Division

Our three foundry sites cast a range of products ranging from 1kg up to 6,000kg and deliver castings with complex geometry and challenging metallurgy.

Performance

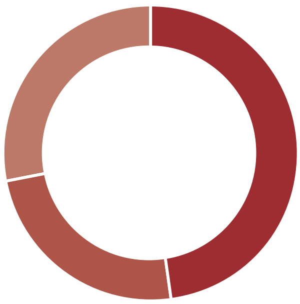
Foundry division sales decreased by 13.7% reflecting reduced demand across all three sites. During 2014, the Leicester foundry experienced severe operational problems which increased scrap rates and created inefficiencies due to machine downtime. Remedial action has been completed and the additional cost incurred was £0.5m.

As a result of the lower revenue and the operational inefficiencies, segmental operating profit fell by £2.4m to a loss of £0.2m.

Key Achievements

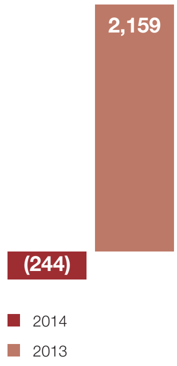
- Creation of a foundry division to eliminate duplicated roles and benchmark best practice
- Headcount reduction from 329 to 283 as at the year end

REVENUE



Light Castings	48%
Medium Castings	24%
Heavy Castings	28%

OPERATING PROFIT £000



For more information on our Foundry Division please visit our website at:

www.chamberlin.co.uk/our-businesses/castings

Engineering Division

Our two engineering sites produce emergency exit hardware, mechanical and electrical door closers and lighting and control equipment for use in hazardous and explosive environments.

Performance

Sales growth by 11.5% driven principally by export demand for door closers.

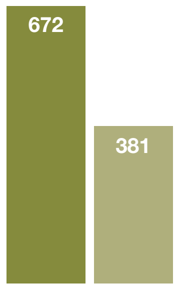
Segmental operating profit grew by 76.4%.

Key Achievements

- Launch of portable hazardous lighting product
- Development of export markets for panic hardware and door closers

REVENUE

OPERATING PROFIT £000



For more information on our Foundry Division please visit our website at:

www.chamberlin.co.uk/ our-businesses/engineering

The Strategic Report, which comprises pages 02 to 11, together with the commentary on the primary statements on pages 27 to 33, has been approved by the Board of Directors and signed on their behalf by:

David Roberts
Secretary
20 May 2014

Governance

The Board

EXECUTIVE DIRECTORS

Chief Executive
Kevin Nolan

Aged 57, Kevin joined the Board and was appointed Chief Executive on 9 September 2013. Kevin Nolan has 30 years' senior level experience in the engineering sector and joins Chamberlin from global materials engineering group, Wall Colmonoy Ltd, where he was Managing Director. He previously worked for Doncasters Group Ltd, the international engineering group which manufactures precision components and assemblies where he successfully led the expansion of a number of the Group's business units and latterly was appointed Divisional Managing Director of Doncasters' largest division, Doncasters Turbine Airfoils and Structural Castings Division.

Finance Director
David Roberts

Aged 45, David joined the Board and was appointed Finance Director and Company Secretary on 1 September 2013. David Roberts has substantial experience in senior financial roles within the manufacturing and engineering sectors. He was previously at Titanium Metals Corporation, a global producer of titanium melted and mill products, where he was European Finance Director. Before this, he worked for Britax International plc as Divisional Finance Director of Rear Vision Systems, a supplier of original equipment exterior mirrors for passenger cars and light trucks to automotive manufacturers worldwide.

NON-EXECUTIVE DIRECTORS

Non-Executive Chairman
Keith Butler-Wheelhouse

Aged 68, Keith joined the Board and was appointed Non-Executive Chairman in March 2012. 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.

Senior Independent Director
Keith Jackson

Aged 65, 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.

Non-Executive Director
Alan Howarth

Aged 68, 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.

Tim Hair resigned from the Board as Company Secretary on 2 September 2013 and as an Executive Director on 9 September 2013.

Corporate Governance Report

Principles of good governance

The Group has set out it's Governance Code as described below and in the Directors' Remuneration Report.

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.

Keith Butler-Wheelhouse is the 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 31 July 2014 (see the Notice of Annual General Meeting on pages 72 to 73), all Directors will retire and, being eligible, offer themselves for re-election. Notwithstanding that Article 94 of the Articles of Association requires only 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 21 to 23.

(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 Company 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 internal control questionnaires, which when combined with regular reviews performed by members of the Group finance function, gives the Board confidence that internal controls are effective. There have been no identified significant control failings during the year.

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.

(k) Internal control (continued)

The Group has established procedures for planning and budgeting and monitoring the operational and financial performance of all businesses in the Group, as well as their compliance with applicable laws and regulations. These procedures include:

- Clear responsibilities on the part of line and financial management for good financial controls in the production of accurate and timely financial management information.
- The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties.
- Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows with regular reviews of variances from budgets by management and the Board.
- Reporting on compliance with internal financial controls and procedures by each individual business unit under the supervision of the Group Finance Director and at the year end by external auditors. Interim and Annual Reports are reviewed by the Audit Committee prior to issue.

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

Summary of attendance at meetings

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings in the year	11	2	4	2
Keith Butler-Wheelhouse	11	2	4	2
Keith Jackson	11	2	4	2
Alan Howarth	11	2	4	2
Tim Hair (resigned 9 September 2013)	5	2	n/a	n/a
Kevin Nolan (appointed 9 September 2013)	6	—	n/a	n/a
David Roberts (appointed 1 September 2013)	6	—	n/a	n/a

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

By order of the Board

David Roberts
Company Secretary
20 May 2014

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2014.

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

(a) 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 2014	Year to 31 March 2013
Foundries	**306**	337
Engineering	**98**	95
Head office*	**9**	9
Group	**413**	441

* 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 any 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.

(b) 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.

(c) 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.

Financial instruments

The Company's policy in respect of financial instruments is disclosed in note 25.

Dividends

The Directors do not recommend the payment of a final dividend (2013: 2.0p). No interim dividend (2013: 1.25p) 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 21 to 23.

See Board of Directors on page 13 for details of all Directors during the year, including appointments and resignations.

Directors' shareholdings

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

	At 31 March 2014 Number of shares	At 31 March 2013 Number of shares
Keith Butler-Wheelhouse	**86,152**	58,500
Kevin Nolan	**—**	—
David Roberts	**5,000**	—
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 2014 and 20 May 2014.

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 20 May 2014). 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 20 May 2014.

Authority to purchase own shares

At the Annual General Meeting in 2013, the Board was given authority to purchase and cancel up to 795,812 of its own shares representing just under 10% of the Company's then existing issued share capital, through market purchases on The AIM Market. 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 20 May 2014.

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 page 72.

Substantial shareholders

At 20 May 2014 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
Miton Capital Partners	**965,471**	12.1
Henderson Global Investors	**741,000**	9.3
Schroder Institutional UK Smaller Companies Fund	**400,000**	5.0
AXA Framlington	**300,000**	3.8
Chelverton Asset Management	**300,000**	3.8
Quilter & Co	**283,800**	3.6
Perfecta Assets Ltd	**275,000**	3.5

At the Annual General Meeting to be held on 31 July 2014 (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. For all the Directors serving during the year, and up to the date of this annual report, there are indemnity arrangements in place with each Director in respect of costs defending civil, criminal and regulatory proceedings brought against them in their capacity as Directors, where not covered by insurance and subject always to the limitations set by the Companies Act 2006.

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 and Company;
- 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.

Directors' Report continued

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 and Strategic 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 and are not reliant on the renewal of the Group's £0.5m overdraft facility after its renewal date of February 2015. In forming this view the Directors have reviewed budgets and other financial information as set out in note 27 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 13. 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.

Post balance sheet events

There have been no post balance sheet events.

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

David Roberts
Company Secretary
20 May 2014

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 2014 the bonus in respect of Kevin Nolan and David Roberts was linked to the profit performance of the Group and the achievement of personal objectives. The maximum amount of bonus payable is 100% of their basic salary.

(c) Share options

An incentive to achieve longer-term improvements in shareholder value is afforded through a share option. The key features of the scheme is summarised as follows:

i. A Share Option Plan ("SOP") which issued options at 100.2p per share. The options will normally become exercisable on or after the third, fourth and fifth anniversary of the date of grant subject to the satisfaction of performance conditions set by the Remuneration Committee of the Company at time of granting. The proportion of awards that become exercisable varies on a straight line basis, from 25% to 100%, based on shareholder return, calculated as the average share price during the three month period ending on the anniversary of the date of grant. A shareholder return of 125p is required for 25% of the options to be exercisable, with a shareholder return of 200p necessary for 100% of options to be exercised. No tranche of options are exercisable if shareholder return is below this range.

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 Report continued

Directors' remuneration

	Basic salary £000	Benefits £000	Annual bonus £000	Payment under employment settlement £000	Total remuneration excluding pensions 2014 £000	2013 £000
Executive						
Tim Hair* (resigned 9 September 2013)	248	21	—	—	**269**	279
Kevin Nolan	107	1	45	—	**153**	—
David Roberts	78	1	27	—	**106**	—
Non-Executive						
Keith Butler-Wheelhouse	75	—	—	—	**75**	75
Keith Jackson	23	—	—	—	**23**	23
Alan Howarth	23	—	—	—	**23**	23
Former Directors	—	—	—	—	**—**	198
Total	**554**	**23**	**72**	**—**	**649**	**598**
Total 2013	442	33	43	80		598

* Highest paid Director in 2013 and 2014, including £141,000 of payments in lieu of notice included within exceptional costs as disclosed 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 (2013: nil) which is a closed defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	Contribution paid 2014 £000	Contribution paid 2013 £000
T Hair (resigned 9 September 2013)	10%	**25**	21
K Nolan	10%	**10**	—
D Roberts	10%	**7**	—

For Directors who have served during the year, no other pension contributions were paid other than as disclosed above.

Directors' options

	31 March 2013	Granted in year	Exercised in year	Lapsed or forfeited in year	**31 March 2014**	Option exercise price	Exercisable between
Tim Hair	525,865	—	—	—	**525,865**	52.8p	23.2.2013 – 20.11.2016
Kevin Nolan	—	59,880	—	—	**59,880**	100.2p	20.9.2016 – 19.09.2023
	—	59,880	—	—	**59,880**	100.2p	20.9.2017 – 19.09.2023
	—	59,880	—	—	**59,880**	100.2p	20.9.2018 – 19.09.2023
David Roberts	—	41,583	—	—	**41,583**	100.2p	20.9.2016 – 19.09.2023
	—	41,583	—	—	**41,583**	100.2p	20.9.2017 – 19.09.2023
	—	41,584	—	—	**41,584**	100.2p	20.9.2018 – 19.09.2023
	525,865	304,390	—	—	**830,255**		

Where applicable, option grants are exercisable only upon the achievement of the performance targets explained on page 21.

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 in the previous year of £10,000. At the time of exercise the Company's share price was 119.5p. No share options have been exercised in 2013/14.

There have been no changes in the interests set out above between 1 April 2014 and 20 May 2014.

The mid-market price of the shares at 31 March 2014 was 74p and during the year ranged between 112p and 65.5p.

On behalf of the Board

Alan Howarth
Chairman, Remuneration Committee
20 May 2014

Financial Statements

Welcome to the Financial Statements section of our Annual Report.

Introduction

David Roberts

The Directors have included the annual financial review, which forms part of the Strategic Report, on the following pages as commentary on the primary statements.

Whilst the accounting policies adopted by the Company are an important part of our Annual Report, we recognise that many readers of the Financial Statements prefer to use these as a reference tool. These policies are now included towards the end of the Financial Statements, rather than at the beginning.

We included 26 notes to the Group Financial Statements in the previous year and while all of this information is necessary to ensure we comply with International Financial Reporting Standards, it does not always make it easy to find what you are looking for. We have therefore restructured the notes into five new categories (as outlined in the table of contents on the previous page) for easier navigation.

Introduction and Table of Contents

These financial statements are presented in a manner which attempts to make them less complex and more relevant to shareholders. We have grouped notes in sections under five headings: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure' and 'other supporting notes'. The purpose of this format is to provide readers with a clearer understanding of what drives the financial performance of the Group.

Notes to the financial statements provide additional information required by statute, accounting standards to explain a particular feature of the financial statements. The notes that follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

Consolidated Income Statement

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 Underlying £000	Non-underlying* £000	Total £000	Year ended 31 March 2013 As restated+ Underlying £000	Non-underlying* £000	Total £000
Revenue	3	**38,562**	**—**	**38,562**	42,266	(69)	42,197
Cost of sales		**(32,413)**	**—**	**(32,413)**	(34,146)	—	(34,146)
Gross profit		**6,149**	**—**	**6,149**	8,120	(69)	8,051
Other operating expense	4, 12	**(6,905)**	**(1,142)**	**(8,047)**	(6,798)	(278)	(7,076)
Operating (loss)/profit	7	**(756)**	**(1,142)**	**(1,898)**	1,322	(347)	975
Finance costs	6	**(62)**	**(156)**	**(218)**	(41)	(135)	(176)
(Loss)/profit before tax		**(818)**	**(1,298)**	**(2,116)**	1,281	(482)	799
Tax credit/(expense)	8	**214**	**298**	**512**	(167)	115	(52)
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent company		**(604)**	**(1,000)**	**(1,604)**	1,114	(367)	747
(Loss)/earnings per share:							
Basic	11			**(20.2)p**			9.4p
Underlying	11	**(7.6)p**			14.0p		
Diluted	11			**(20.2)p**			9.0p
Diluted underlying	11	**(7.6)p**			13.4p		

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

+ Restated for a change in accounting policy as a result of the implementation of IAS 19 Employee Benefits (revised).

Commentary on the Consolidated Income Statement

Overview

Sales decreased by 8.6% during the year to £38.6m (2013: £42.2m) and gross profit margin decreased significantly from 19.2% in 2013 to 15.9% in 2014. During 2014, the Leicester foundry experienced severe operational problems which increased scrap rates and created inefficiencies due to machine downtime. Remedial action has been completed and the additional cost incurred during 2014 was £0.5m (1.3% of sales). The balance of the gross margin decrease (2.0% of sales, or £0.8m) is attributable to the negative operational gearing impact of lower revenue.

Underlying loss before tax is £0.8m (2013: profit of £1.3m). Diluted underlying loss per share was 7.6p (2013: earnings per share of 13.4p).

The statutory results show statutory operating loss of £1.9m (2013: profit of £1.0m), statutory loss before tax of £2.1m (2013: profit of £0.8m) and statutory loss per share of 20.2p (2013: earnings per share 9.0p).

Exceptional items

The current year includes exceptional items of £1.0m (2013: £0.2m). During 2014 the Group rationalised its Foundry operations into one division, enabling the elimination of duplication roles and implementation of best practice. As a result the headcount of the Foundry division has been reduced by 14.0% from 329 to 283.

Tax

The Group's underlying tax credit for the year was £0.2m (2013: charge of £0.2m) with an underlying effective rate of 26% (2013: 13%). The statutory total tax credit for the year was £0.5m (2013: charge of £0.1m), an effective tax rate of 24% (2013: 7%). The effective rate of tax is higher than the standard rate during the year due to completion of prior year research and development tax claims resulting in a tax repayment.

Foreign exchange

It is the Group's policy to minimise risk to exchange rate movements affecting sales and purchases by economically hedging or netting currency exposures at the time of commitment, or when there is a high probability of future commitment, using currency instruments (primarily forward exchange contracts). A proportion of forecast exposures are hedged depending on the level of confidence and hedging is topped up following regular reviews. On this basis up to 50% of the Group's annual exposures are likely to be hedged at any point in time and the Group's net transactional exposure to different currencies varies from time to time.

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 £0.3m per year for the period under review increasing by 3% per year thereafter based on a deficit recovery period of 10 years. A triennial valuation as at 1 April 2013 is currently underway. The Group does not expect a significant increase in the annual deficit funding requirement.

The pension expense for the defined benefit scheme was £0.3m in 2014 (2013: £0.3m), and is shown in non-underlying items. The Group cash contribution during the year was £0.4m (2013: £0.4m).

The Group operates a defined contribution pension scheme for its current employees. The cost of £0.3m (2013: £0.3m) is included within underlying operating performance.

The IAS 19 deficit at 31 March 2014 was £3.5m (2013: £3.9m). The decrease principally reflects the increase in the discount rate used to calculate scheme liabilities, as a consequence of a rise in bond yields over the last year and an out performance of assets against expected levels.

Restatement for adoption of IAS19

The consolidated financial statements as at 31 December 2013 have been restated to take account of the adoption of IAS 19: Employee Benefits (revised 2011). The principal impact on the Group has been that the return on plan assets included in the income statement is now based on the discount rate applied to the liabilities. Prior to this revision, the plan assets' interest income was included in the income statement.

The effect of this restatement on 2013 diluted earnings per share was a reduction of 0.6p from 9.6p to 9.0p.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2014

	Notes	2014 £000	2013 As restated £000
(Loss)/profit for the year		**(1,604)**	747
Other comprehensive income			
Reclassification for cashflow hedge included in sales		**162**	(199)
Movements in fair value on cash flow hedges taken to other comprehensive income		**199**	(229)
Deferred tax on movement in cash flow hedges	8	**(79)**	102
Net other comprehensive income/(expense) that may be recycled to profit and loss		**282**	(326)
Remeasurement gains/(losses) on pension assets and liabilities	22	**338**	(996)
Deferred/current tax on remeasurement (gains)/losses on pension scheme	8	**(78)**	239
Movement on deferred tax on remeasurement losses relating to rate change	8	**(104)**	(41)
Net other comprehensive income/(expense) that will not be recycled to profit and loss		**156**	(798)
Other comprehensive income/(expense) for the period net of tax		**438**	(1,124)
Total comprehensive expense for the period attributable to equity holders of the parent company		**(1,166)**	(377)

Commentary on the Consolidated Statement of Comprehensive Income

Accounting Standards require certain gains and losses on assets and liabilities, instead of being recorded in the consolidated income statement, to be credited or charged to reserves and recorded in the consolidated statement of other comprehensive income. In accordance with the amendment to IAS1, these items are now allocated between those items that may and those items that may not eventually be recycled to the consolidated income statement.

The settlement of net cashflow hedge derivatives, which are used to protect the Group from foreign exchange exposure are subject to marked to market valuations, the movements of which are included within the consolidated statement of comprehensive income. These items (including the related taxation effect) amounted to a gain of £0.3m in 2014 (2013: loss of £0.3m).

Re-measurement gains and loss in the Group's defined benefit pension obligations are also booked to other comprehensive income. These are explained in detail in section 5.

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earings As restated £000	Attributable to equity holders of the parent As restated £000
Balance at 1 April 2012	1,987	1,269	109	174	5,504	9,043
Profit for the year	—	—	—	—	747	747
Other comprehensive income for the year net of tax	—	—	—	(326)	(798)	(1,124)
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 1 April 2013	1,990	1,269	109	(152)	5,077	8,293
Loss for the year	—	—	—	—	(1,604)	(1,604)
Other comprehensive income for the year net of tax	—	—	—	282	156	438
Total comprehensive income/(expense)	—	—	—	282	(1,448)	(1,166)
Dividends paid	—	—	—	—	(159)	(159)
Share-based payment	—	—	—	—	9	9
Deferred tax on employee share options	—	—	—	—	(37)	(37)
Balance at 31 March 2014	**1,990**	**1,269**	**109**	**130**	**3,442**	**6,940**

Consolidated Balance Sheet

at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000
Non-current assets			
Property, plant and equipment	13	**7,907**	8,199
Intangible assets	14	**456**	620
Deferred tax asset	18	**1,196**	1,158
		9,559	9,977
Current assets			
Inventories	15	**3,734**	3,331
Trade and other receivables	16	**7,508**	8,072
Current tax	16	**38**	—
		11,280	11,403
Total assets		**20,839**	21,380
Current liabilities			
Financial liabilities	17	**3,041**	981
Trade and other payables	17	**6,641**	7,931
Provisions	17	**26**	26
Current tax		**—**	95
		9,708	9,033
Non-current liabilities			
Financial liabilities	18	**600**	—
Deferred tax	18	**98**	141
Defined benefit pension scheme deficit	22	**3,493**	3,913
		4,191	4,054
Total liabilities		**13,899**	13,087
Capital and reserves			
Share capital	19	**1,990**	1,990
Share premium		**1,269**	1,269
Capital redemption reserve		**109**	109
Hedging reserve		**130**	(152)
Retained earnings		**3,442**	5,077
Total equity		**6,940**	8,293
Total equity and liabilities		**20,839**	21,380

Kevin Nolan
Director

David Roberts
Director

The accounts were approved by the Board of Directors on 20 May 2014

Commentary on Consolidated Balance Sheet

Net Debt

Net Debt at the year end was £3.6m compared to £1.0m at the end of the previous year. Total committed bank facilities available to the Group at the year end was £7.3m (2013: £5.0m), of which £3.6m (2013: £1.0m) was drawn.

Property, Plant and Equipment (PPE)

The net book value of the Group's investment in PPE at 31 March 2014 was £7.9m. Capital Expenditure on PPE of £1.0m (2013: £1.4m) represented 81% (2013: 114%) of depreciation of £1.3m (2013: £1.2m).

Cash generation and financing

Chamberlin incurred cash outflows in the year due to operating losses. Operating cash outflow was £1.5m (2013: inflow of £2.3m).

Our overdraft and net borrowings at 31 March 2014 increased to £3.6m (2013: £1.0m). The Group was previously funded through a £5.0m overdraft facility renewable annually. During March 2014, the Group restructured its borrowing facility. Bank debt now has three elements: £6.0m invoice discounting facility, £0.5m overdraft, and a £0.8m loan repayable over four years. The Company is now trading with a comfortable level of headroom within these facilities and with covenants set at levels appropriate for the Group and this revised debt structure.

The facility has the following covenants which are compliant at year end:

	Actual 31 March 2014	Covenant
Tangible net worth	**£6.5m**	£5.25m
Debt turn	**59 days**	80 days
Credit notes issued as a percentage of sales	**2.7%**	Less than 5%

Working Capital

Working Capital, comprising Inventories, Trade and Other Receivables and Trade and Other Payables was 12% of annual sales (2013: 8%) as at year end.

Robust credit control has reduced trade receivables by 11.2% and overdue receivables have fallen to 7.2% (2013: 31.5%). This is offset by a reduction in trade payables of 24.4% due to timing of supplier payments.

Pensions

The Group has one defined benefit obligation scheme. It is closed to future accrual and the Group operated a defined contribution pension scheme for its current employees.

The net liability for the defined benefit obligations at 31 March 2014 was £3.5m (2013: £3.9m).

The last formal triennial actuarial valuation of the fund was carried out as at 30 September 2010. The statement of funding principles agreed with the Trustees during 2010 that the valuation resulted in an actuarial deficit of £2.8m where upon it was agreed to pay contributions of £0.2m each year rising by 3% per annum. The next triennial valuation commenced as at 1 April 2013 and is currently ongoing. Given the low interest rate environment it is expected that the 2013 triennial valuation will produce a significantly higher deficit. The Group continues to explore various options with the Trustees to lengthen the recovery period and mitigate the impact on the cash flow of the Group.

Consolidated Cash Flow Statement

for the year ended 31 March 2014

Operating activities	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
(Loss)/profit for the year before tax		**(2,116)**	799
Adjustments to reconcile (loss)/profit for the year to net cash(outflow)/inflow from operating activities:			
Net finance costs excluding pensions	6	**62**	41
Depreciation of property, plant and equipment	13	**1,259**	1,190
Amortisation of software	14	**82**	102
Amortisation and impairment of development costs	14	**86**	49
Profit on disposal of property, plant and equipment	7	**(29)**	(13)
Share-based payments	20	**9**	(69)
Difference between pension contributions paid and amounts recognised in the Consolidated Income Statement		**(82)**	(144)
(Increase)/decrease in inventories		**(403)**	515
Decrease in receivables		**627**	757
Decrease in payables		**(992)**	(993)
Increase in provisions		**—**	26
Net cash (outflow)/inflow from operating activities		**(1,497)**	2,260
Investing activities			
Purchase of property, plant and equipment	13	**(1,018)**	(1,353)
Purchase of software	14	**(4)**	(60)
Development costs	14	**—**	(69)
Disposal of plant and equipment		**80**	98
Net cash outflow from investing activities		**(942)**	(1,384)
Financing activities			
Interest paid	6	**(62)**	(41)
Dividends paid	9	**(159)**	(258)
Issue of asset loans		**800**	—
Net invoice finance drawdown		**2,684**	—
Net cash inflow/(outflow) from financing activities		**3,263**	(299)
Net increase in cash and cash equivalents		**824**	577
Cash and cash equivalents at the start of the year		**(981)**	(1,558)
Cash and cash equivalents at the end of the year	17	**(157)**	(981)
Cash and cash equivalents comprise:			
Bank overdraft	17	**(157)**	(981)
		(157)	(981)

Commentary on the Consolidated Cash Flow Statement

Operating Cash Flow

The operating cash out flow for the total Group was £1.5m (2013: inflow of £2.3m), driven by the loss before tax of £2.1m (2013: profit £0.8m).

Net working capital balances increased by £0.8m (2013: decrease of £0.3m) during the year.

Cash spent on property, plant and equipment and capitalised software and development costs in the year was £1.0m (2013: £1.5m) which was equivalent to 72% (2013: 111%) of depreciation and amortisation thereon.

Closing Net Debt

Opening net debt was £1.0m (2013: £1.6m). After the net debt movement in the year of £2.6m (2013: inflow of £0.6m) closing net debt was £3.6m (2013: £1.0m).

Section 1
Basis of Preparation

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 2014 were authorised for issue by the Board of Directors on 20 May 2014 and the balance sheets were signed on the Board's behalf by Kevin Nolan and David Roberts. 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 27.

2. New standards adopted

The Group has applied IAS 1 Presentation of Items of Other Comprehensive Income which has introduced a grouping of items presented in other comprehensive income (OCI). The amendment affected presentation only and had no impact on the Group's financial position or performance.

The Group has applied IAS 19 Employee Benefits (revised) with effect from 1 April 2013. This has resulted in prior period restatements of the finance cost of the pension scheme and a reclassification of defined benefit scheme administration costs into non-underlying other operating expenses from non-underlying finance costs. As administrative costs of the pension scheme were included in the net finance income/expense of the pension scheme under the former IAS 19, they were previously excluded from underlying items. Management considers that users of the financial statements will continue to focus on the performance of the Group excluding these costs. Therefore, the definition of underlying profit which previously referred to the finance income/expense on the defined benefit pension scheme has been amended to exclude these administrative costs.

In the year ended 31 March 2013 £125,000 of pension scheme administration costs have been reclassified from net interest to other operating expenses. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. In view of this change, an additional £60,000 pension scheme finance cost, with an associated tax credit of £14,000, has been charged to the Group's profit and loss for the year.

Accordingly, the prior year basic and diluted EPS has been reduced by 0.6p to 9.0p respectively. The adoption of IAS 19 Employee Benefits (revised) has not had an impact on the balance sheet reported at 31 March 2013.

The Group has applied IFRS 13 Fair Value Measurement. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements carried out by the Group. All hedge contracts are shown at fair value, having an asset fair value at 31 March 2014 of £186,000 (2013: liability of £298,000).

Share-based payments are now shown within other operating expenses rather than shown separately within the Consolidated Income Statement, resulting in the elimination of the trading profit sub-total, as the Directors believe this is more appropriate. £9,000 of share-based payment charges (2013: credit of £69,000) have been reclassified.

No other amended IFRS that have become effective in the period have 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	Effective date
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	TBA
IAS 32 Offsetting of Financial Instruments	1 January 2014
IFRS 10 Consolidated Financial Statements	1 January 2014*
IFRS 11 Joint Arrangements	1 January 2014*
IFRS 12 Disclosure of Interest in Other Entities	1 January 2014*
International Financial Reporting Interpretive Committee (IFRIC)	
IFRIC 21 Levies	1 January 2014

* Effective date in EU (early adoption permitted)

The Directors have also considered the IASB's annual improvements to International Financial Reporting Standards effective 1 July 2014.

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, interpretations and other improvements will have a material impact on the Group's reported disclosures, income or net assets in the period of adoption.

Section 2
Results of the Year

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 Chief Operating Decision Maker is the Chief Executive.

(i) By operating segment

	Segmental revenue		**Segmental operating profit**	
Year ended	**2014 £000**	2013 £000	**2014 £000**	2013 As restated £000
Foundries	**29,056**	33,674	**(244)**	2,159
Engineering	**9,506**	8,523	**672**	381
Segment results	**38,562**	42,197	**428**	2,540
Reconciliation of reported segmental operating profit				
Segment operating profit			**428**	2,540
Shared cost (excluding share-based payment charge)			**(1,184)**	(1,218)
Exceptional and non-underlying costs (note 12)			**(1,142)**	(347)
Net finance costs (note 6)			**(218)**	(176)
(Loss)/profit before tax			**(2,116)**	799
Segmental assets				
Foundries			**15,453**	15,920
Engineering			**4,927**	4,809
			20,380	20,729
Segmental liabilities				
Foundries			**(5,342)**	(6,437)
Engineering			**(1,325)**	(1,615)
			(6,667)	(8,052)
Segmental net assets			**13,713**	12,677
Unallocated net liabilities			**(6,773)**	(4,384)
Total net assets			**6,940**	8,293

Unallocated net liabilities include the pension liability of £3,493,000 (2013: £3,913,000), financial liabilities of £3,641,000 (2013: £981,000), deferred tax asset of £319,000 (2013: £472,000) and other assets of £42,000 (2013: £38,000).

Capital expenditure, depreciation, amortisation and impairment

Capital additions	Foundries 2014 £000	Foundries 2013 £000	Engineering 2014 £000	Engineering 2013 £000	Total 2014 £000	Total 2013 £000
Property, plant and equipment (note 13)	**853**	1,118	**165**	235	**1,018**	1,353
Software (note 14)	**3**	60	**1**	—	**4**	60
Development costs (note 14)	**—**	46	**—**	23	**—**	69

Depreciation, amortisation and impairment	Foundries 2014 £000	Foundries 2013 £000	Engineering 2014 £000	Engineering 2013 £000	Total 2014 £000	Total 2013 £000
Property, plant and equipment (note 13)	**(989)**	(948)	**(270)**	(242)	**(1,259)**	(1,190)
Software (note 14)	**(67)**	(87)	**(15)**	(15)	**(82)**	(102)
Development costs (note 14)	**(69)**	(35)	**(17)**	(14)	**(86)**	(49)

Prior year numbers have been restated to include deferred tax assets of £545,000 disclosed at a segmental level and the reallocation of central costs (£450,000 to Foundries and £50,000 to Engineering) to segment results to be consistent with the current year definitions used for segment results and segment assets.

(ii) Geographical information

Revenue by location of customer	2014 £000	2013 £000
United Kingdom	**25,450**	28,534
Germany	**6,482**	7,091
Rest of Europe	**4,257**	3,896
Other countries	**2,373**	2,676
	38,562	42,197

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

No individual customer represents more than 10% of Group revenue (2013: none).

4. Other operating expenses

	2014 £000	2013 £000
Distribution costs	**1,065**	1,114
Administration and selling expenses	**5,840**	5,684
Operating expenses before exceptional items	**6,905**	6,798
Exceptional items (note 12)	**1,142**	278
Operating expenses	**8,047**	7,076

5. Staff numbers and costs

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

	2014 Number	2013 Number
Management and administration	**81**	81
Production	**332**	360
Total employees	**413**	441

The aggregate employment costs, including redundancy, of these employees were as follows:

	2014 £000	2013 £000
Wages and salaries	**12,810**	12,320
Social security costs	**1,231**	1,211
Other pension costs (note 22)	**259**	276
Share-based payment expense (note 20)	**9**	(69)
	14,309	13,738

Directors' remuneration summary

	2014 £000	2013 £000
Directors' remuneration	**649**	518
Company contributions to money purchase pension scheme	**42**	30
Payment under an employment settlement agreement in March 2013	**—**	80
Aggregate gains made by directors on exercise of options	**—**	10
Share-based payment charge/(credit)of options granted to directors (see note 20)	**9**	(11)

Number of directors accruing benefits under:

	2014 Number	2013 Number
Defined contribution pension schemes	**2**	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 21 to 23.

The total amount payable to the highest paid director in respect of remuneration was £269,000 (2013: £279,000), including £141,000 payment in lieu of notice. Company pension contributions of £25,000 (2013: £21,000) were made to a money purchase pension scheme on his behalf. The aggregate gain made on exercise of share options was £nil (2013: £10,000).

6. Finance costs

	2014 £000	2013 As restated £000
Finance costs		
Bank overdraft interest payable	**(62)**	(41)
Finance cost of pensions (see note 22)	**(156)**	(135)
	(218)	(176)

7. Operating (loss)/profit

	2014 £000	2013 £000
This is stated after charging/(crediting):		
Profit on disposal of fixed assets	**(29)**	(13)
Depreciation of owned assets	**1,259**	1,190
Amortisation of software	**82**	102
Research and development expenditure (excluding capitalised development costs: note 14)	**98**	79
Amortisation of development costs	**40**	49
Impairment of development costs	**46**	—
Cost of inventories recognised as an expense	**15,451**	18,055
Exceptional costs (note 12)	**1,002**	222
Exchange gain	**(7)**	(12)
Auditor's remuneration:		
Group audit fees	**30**	30
Audit fees for statutory accounts of subsidiaries	**55**	55
Audit related assurance services	**5**	5
Rentals under operating leases:		
Hire of plant and equipment	**159**	101
Land and buildings	**330**	330

8. Taxation

	2014 £000	2013 As restated £000
Current tax:		
UK Corporation tax at 23% (2013: 24%)	—	130
Adjustments in respect of prior years	(134)	(145)
	(134)	(15)
Deferred tax:		
Origination and reversal of temporary differences	(466)	117
Adjustments in respect of prior years	25	(53)
Change in tax rate	63	3
	(378)	67
Tax (credit)/expense reported in the consolidated income statement	(512)	52

The Corporation tax rate fell from 24% for the year ended 31 March 2013 to 23% for the year ended 31 March 2014. The Corporation tax rate will fall to 21% from 1 April 2014, a rate change which was substantively enacted on 2 July 2013. The Chancellor has announced a further 1% fall to 20% from 1 April 2015, which was substantively enacted on 2 July 2013.

During the year the Group utilised brought forward tax losses of £Nil (2013: £Nil).

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

	2014 £000	2013 As restated £000
Current tax:	—	(35)
	—	(35)
Deferred tax:		
Retirement benefit obligation	78	(204)
Fair value movements on cash flow hedges	79	(102)
Change in tax rate	104	41
	261	(265)
Tax charge/(credit) reported in the consolidated statement of comprehensive income	261	(300)

	2014 £000	2013 £000
Current tax:	—	—
	—	—
Deferred tax:		
Employee share options	37	104
Tax charge reported in the consolidated statement of changes in equity	37	104

	2014 £000	2013 As restated £000
Reconciliation of total tax charge		
(Loss)/profit on ordinary activities before tax	**(2,116)**	799
Corporation tax charge at standard rate of 23% (2013: 24%) on (loss)/profit before tax	**(487)**	192
Adjusted by the effects of:-		
Expenses not deductible for tax purposes	**37**	66
Short term timing differences		
— other timing differences	**(16)**	(11)
Amounts (over)/under provided in prior years		
— corporation tax	**(134)**	(145)
— deferred tax	**25**	(53)
Movement in deferred tax on change in corporation tax rate	**63**	3
Total tax (credit)/expense reported in the consolidated income statement	**(512)**	52

9. Dividends paid and proposed

	2014 £000	2013 £000
Paid equity dividends on ordinary shares		
2013 final dividend of 2.0p per share (2012: 2.0p per share)	**159**	159
2014 interim dividend of nil p per share (2013: 1.25p per share)	**—**	99
	159	258
Proposed final dividend subject to shareholder approval		
2014 final dividend of nil p per share (2013: 2.0p per share)	**—**	159

10. Parent company transfer to reserves

The profit dealt with in the accounts of the parent company was £1,262,000 (2013: loss of £198,000).

11. (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the (loss) profit attributable to shareholders and the weighted average number of ordinary shares in issue. In calculating the diluted (loss)/earnings per share, adjustment has been made for the dilutive effect of outstanding share options. Underlying (loss)/earnings per share, as analysed below, which excludes non-underlying items as defined in note 27, 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.

11. (Loss)/earnings per share continued

	2014 £000	2013 As restated £000
(Loss)/earnings for basic earnings per share	**(1,604)**	747
Ineffective hedges	**—**	69
Exceptional costs	**1,002**	222
Net financing costs and service cost on pension obligations	**287**	260
Share-based payment charge/(credit)	**9**	(69)
Taxation effect of the above	**(298)**	(115)
(Loss)/earnings for underlying earnings per share	**(604)**	1,114

	2014 Number	2013 Number
Weighted average number of ordinary shares	**7,958**	7,950
Adjustment to reflect shares under options	**—**	349
Weighted average number of ordinary shares — fully diluted	**7,958**	8,299

As at 31 March 2014 there is no adjustment for the 211,005 shares under option as they are required to be excluded from the weighted average number of shares for diluted (loss)/earnings per share as they are anti-dilutive for the period then ended.

12. Exceptional costs and non-underlying

	2014 £000	2013 As restated £000
Removal of former Director	**—**	186
Legal costs relating to subsidiary back pay claim	**—**	36
Prior CEO leaving costs	**307**	—
Group reorganisation	**695**	—
Exceptional costs	**1,002**	222
Ineffective hedge costs	**—**	69
Share-based payment charge/(credit)	**9**	(69)
Defined benefit pension scheme administration costs	**131**	125
Non-underlying other operating expenses	**1,142**	347
Taxation		
— tax effect of exceptional costs	**(262)**	(83)
	880	264

Prior CEO leaving costs relate to contractual payments made to the former CEO, Tim Hair, and costs associated with the recruitment of the current CEO, Kevin Nolan.

During 2014 the Group rationalised its Foundry operations into one division, enabling the elimination of duplication roles and implementation of best practice. Group reorganisation costs, including redundancy and recruitment, relate to this rationalisation.

Section 3
Operating Assets and Liabilities

13. Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 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
Additions	67	891	60	1,018
Disposals	—	(38)	(203)	(241)
At 31 March 2014	**5,638**	**27,954**	**572**	**34,164**
Depreciation				
At 1 April 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
Charge for year	142	973	144	1,259
Disposals	—	(38)	(152)	(190)
At 31 March 2014	**2,058**	**23,750**	**449**	**26,257**
Net book value				
At 31 March 2014	**3,580**	**4,204**	**123**	**7,907**
At 31 March 2013	3,655	4,286	258	8,199
At 1 April 2012	3,655	4,155	311	8,121

Included within plant and machinery is £11,000 (2013: £93,000) relating to assets under the course of construction which is not depreciated.

Net book value of land and buildings comprises:

	2014 £000	2013 £000
Freehold	**3,539**	3,648
Short leasehold (leasehold improvements)	**41**	7
	3,580	3,655

13. Property, plant and equipment continued

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2012	1,670	67	134	1,871
Additions	—	35	48	83
Disposals	—	—	(105)	(105)
At 31 March 2013	1,670	102	77	1,849
Additions	—	10	27	37
Disposals	—	—	(20)	(20)
At 31 March 2014	**1,670**	**112**	**84**	**1,866**
Depreciation				
At 1 April 2012	760	33	50	843
Charge for year	28	11	23	62
Disposals	—	—	(34)	(34)
At 31 March 2013	788	44	39	871
Charge for year	27	11	22	60
Disposals	—	—	(18)	(18)
At 31 March 2014	**815**	**55**	**43**	**913**
Net book value				
At 31 March 2014	**855**	**57**	**41**	**953**
At 31 March 2013	882	58	38	978
At 1 April 2012	910	34	84	1,028

Freehold land included above not subject to depreciation amounted to:

	Group £000	Company £000
2014	**743**	**743**
2013	743	743

Impairment Testing

The Group has identified indications of impairment at two of its cash generating units (CGUs), Chamberlin & Hill Castings Limited (Leicester) and Russell Ductile Castings Limited, both part of the foundry segment, and as such has performed an impairment review on the carrying value of the property, plant and equipment and intangible assets at these two CGUs. The decline in turnover and the losses generated at Leicester and Russell Ductile Castings are the impairment indications which have led to the impairment review being performed.

Impairment has been assessed by comparing the book value of assets against their recoverable amounts. The recoverable amount of a CGU's assets is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cashflow projections from financial budgets approved by the Board. The projected cashflows reflect the latest expectations of demand for products in year 1 and 2 and are extrapolated to year 10 using a 2.25% growth rate that is the long-term growth rate of the UK economy. The projected cashflows reflect an expected return in sales volumes in 2015/16 and a full realisation of cost saving programmes that require a certain gestation period to fully mature. The key sensitivites around these projections are the return of sales volumes and the full fruition of cost saving initiatives.

The key assumptions in these calculations are the long-term growth rates and discount rate applied to the forecast cashflows in addition to the achievement of the forecasts themselves. The long term growth rate used is based on economic forecasts of the long-term growth rate for the UK. The pre-tax discount rate used is based on the Group pre-tax weighted average cost of capital of 14%.

It was concluded for both Chamberlin & Hill Castings Limited (Leicester) and Russell Ductile Castings Limited the recoverable amount of each CGU was greater than the book value of each CGU's assets and as such no impairment charge is deemed necessary.

14. Intangible assets

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Software	**423**	501	**1**	4
Development costs	**33**	119	**—**	—
	456	620	**1**	4

Software	**Group £000**	**Company £000**
Cost		
At 1 April 2012	1,075	20
Additions	60	2
At 31 March 2013	1,135	22
Additions	4	—
At 31 March 2014	**1,139**	**22**
Amortisation/impairment		
At 1 April 2012	532	15
Charge for the year	102	3
At 31 March 2013	634	18
Charge for year	82	3
At 31 March 2014	**716**	**21**
Net Book Value		
At 31 March 2014	**423**	**1**
At 31 March 2013	501	4
At 1 April 2012	543	5

Software has an estimated useful life of between 3 and 10 years.

14. Intangible assets continued

Development costs capitalised	Group £000	Company £000
Cost		
At 1 April 2012	445	—
Additions	69	—
At 31 March 2013	514	—
Additions	—	—
At 31 March 2014	**514**	**—**
Amortisation/impairment		
At 1 April 2012	346	—
Charge for year	49	—
At 31 March 2013	395	—
Charge for year	40	—
Impairment	46	
At 31 March 2014	**481**	**—**
Net Book Value		
At 31 March 2014	**33**	**—**
At 31 March 2013	119	—
At 1 April 2012	99	—

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 5 years from the commencement of commercial sales.

During the year management have deemed certain development costs to be impaired due uncertainty around the timing of commercial viability.

15. Inventories

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Raw materials	**1,529**	1,424	**—**	—
Work in progress	**870**	968	**—**	—
Finished goods	**1,335**	939	**—**	—
	3,734	3,331	**—**	—

16. Trade and other receivables

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Trade receivables	**6,443**	7,356	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**2,178**	5,032
Other receivables	**253**	105	**160**	98
Prepayments	**626**	611	**44**	115
Fair value of derivative forward contracts	**186**	—	**—**	—
	7,508	8,072	**2,382**	5,245

Invoice finance liabilities are directly secured against the trade receivables of the Group. The Group retains the risk and rewards, such as default, associated with the holding of trade receivables. The Group has trade receivables as at 31 March 2014 of £6,443,000 of which an invoice finance liability of £2,684,000 was secured against. The total available invoice finance facility as at 31 March 2014 was £6,000,000.

Trade receivables are denominated in the following currencies:

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Sterling	**5,044**	6,015	**—**	—
Euro	**1,286**	1,341	**—**	—
US Dollar	**113**	—	**—**	—
	6,443	7,356	**—**	—

Out of the carrying amount of trade receivables of £6,443,000 (2013: £7,356,000), £1,370,000 (2013: £1,903,000) 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 2014 trade receivables at a nominal value of £134,000 (2013: £293,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
At 1 April	**293**	374	**—**	—
Charge for year	**195**	152	**—**	—
Amounts written off	**(354)**	(233)	**—**	—
At 31 March	**134**	293	**—**	—

As at 31 March 2014, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £000	Neither past due nor impaired £000	Past due but not impaired <30 days £000	30-60 days £000	60-90 days £000	90-120 days £000	>120 days £000
2014	**6,443**	**5,978**	**400**	**44**	**10**	**11**	**—**
2013	7,356	5,036	1,676	219	291	134	—

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	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Debtors where external credit ratings have been sought	**6,167**	6,586	**—**	—
Debtors where internal credit assessments have been made	**276**	770	**—**	—
	6,443	7,356	**—**	—

Of the balance in respect of counterparties with internal ratings 8% (2013: 2%) is in respect of new customers, and 92% (2013: 98%) existing customers with no history of defaults.

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

Income taxes receivable

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
UK corporation tax	**38**	—	**—**	16

17. Current liabilities

Financial liabilities

	Group		Company	
	2014 £000	2013 As restated £000	**2014 £000**	2013 £000
Bank overdraft	**157**	981	**369**	3,826
Current instalments due on asset finance loans	**200**	—	**—**	—
Invoice finance facility	**2,684**	—	**—**	—
	3,041	981	**369**	3,826

The overdraft is held with HSBC Bank plc as part of the Group net facility of £500,000, is secured on all assets of the business, is repayable on demand and is renewable in February 2015. The net overdraft position as at 31 March 2014 was £157,000 (2013: £981,000), this comprises cash balances of £410,000 (2013: £2,845,000) and bank overdrafts of £567,000 (2013: £3,826,000). Interest is payable at 2.0% (2013: 2.0%) over base rate.

Asset finance loans are secured against various items of plant and machinery across the Group. These loans are repayable by monthly instalments for a period of four years to March 2018. Interest is payable at 3.25% over base rate.

Invoice finance balances are secured against the trade receivables of the Group, are repayable on demand and are renewable in March 2016. Interest is payable at 2.3% over base rate. The maximum facility is £6.0m. Management have assessed the treatment of the financing arrangements and have determined it is appropriate to recognise trade receivables and invoice finance liabilities separately.

Trade and other payables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade payables	**3,740**	5,522	**—**	—
Amounts due to subsidiary undertakings	**—**	—	**—**	607
Other taxation and social security	**713**	673	**39**	45
Other payables	**231**	341	**4**	42
Accruals	**1,957**	1,097	**502**	383
Fair value of derivative forward contracts	**—**	298	**—**	—
	6,641	7,931	**545**	1,077

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

Amounts due to subsidiary companies are interest free and repayable by agreement with the parent company.

	Group	
	Legal £000	**Total £000**
As at 31 March 2012	—	—
New provision	26	26
As at 31 March 2013 and as at 31 March 2014	**26**	**26**

Legal

The legal provision is held in respect of the offer made to date and future legal costs anticipated to be incurred in defence of the back pay claim by Group employees.

18. Non-current liabilities

Financial liabilities

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Instalments due on asset finance loans	**600**	—	**—**	—

Asset finance loans are secured against various items of plant and machinery across the Group. These loans are repayable by monthly instalments for a period of four years to March 2018. £200,000 is repayable within year 1-2 and a further £400,000 repayable in years 2-5. Interest is payable at 3.25% over base rate.

Provisions for liabilities

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Deferred taxation	**98**	141	**3**	15

18. Non-current liabilities continued

Deferred tax liabilities

	2014 £000	2013 £000
Group liabilities		
Temporary differences relating to capital allowances	**—**	66
Temporary differences relating to cash flow hedges	**32**	—
Capital gains rolled over	**66**	75
	98	141

	2014 £000	2013 £000
Company liabilities		
Temporary differences relating to capital allowances	**3**	15
	3	15

Deferred tax assets

	Group		**Company**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Temporary differences relating to capital allowances	**166**	—	**—**	—
Temporary differences relating to pension scheme deficit	**699**	900	**699**	900
Temporary differences relating to cash flow hedges	**—**	45	**—**	—
Temporary differences relating to share options	**8**	46	**8**	46
Temporary differences relating to tax losses	**315**	161	**—**	—
Other temporary differences	**8**	6	**—**	—
	1,196	1,158	**707**	946

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 forseeable future. The Group has assessed that it is probable that future profits fully justify the recognition of the deferred tax asset relating to current tax losses.

Group tax losses not carried forward for which a deferred tax asset has not been recognised total £nil (2013: £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, based on the April 2010 actuarial valuation, and that there will be future taxable profits which the contributions can be utilised against.

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. The Group has assessed that it is probable that future profits will fully utilise current tax losses and other deductible temporary differences. Deferred tax assets relating to the pension scheme deficit are expected to be recovered over the period that contributions are made into the scheme, including the agreed contributions to April 2020 and expected contributions to be agreed with the Trustees, following finalisation of the April 2013 actuarial valuation. The deferred tax assets have been assessed as recoverable against forecasts of future taxable profits.

All deferred tax assets are recoverable, and deferred tax liabilities will be settled, in greater than one year.

Of the total deferred tax credit of £80,000 (2013: £94,000), a credit of £378,000 (2013: charge of £67,000) was recognised within the consolidated income statement, a charge of £261,000 (2013: credit of £265,000) was recognised within other comprehensive income and a charge of £37,000 (2013: charge of £104,000) recognised within the consolidated statement of changes in equity.

19. Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
7,958,126 (2013: 7,958,126) Ordinary shares of 25p	**1,990**	1,990

During the year nil shares (2013: 8,590) were issued to directors to satisfy share options at nil (2013: nil) cost.

During the year nil share options lapsed (2013: 273,220), 304,390 were granted (2013: nil) and nil (2013: 539,078) were forfeited.

20. Share-based payments

Details of the equity settled scheme used to incentivise the directors of the Group are set out in the Remuneration Committee Report on page 21.

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 previous year all cash settled options were forfeited 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	
	No. of options	Exercise price (p)	Remaining contractual life (years)
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
Granted	304,390	100.2	9.5
At 31 March 2014	**830,255**	**70.2**	**5.1**

525,865 (2013: 525,865) shares were exercisable at the end of the year.

No shares were exercised during the current year. The market price at the date of share exercise during the prior year was 119.5p.

Based on the following assumptions at 31 March 2014, the total fair value of options was £101,000 (2013: £34,000), of which £9,000 was charged to the consolidated income statement (2013: credit of £11,000). The fair value of options granted in the year was £67,000 (2013: £nil). The exercise price of options as at 31 March 2014 is a range between 52.8p and 100.2p (2013: 52.8p).

20. Share-based payments continued

The key assumptions in relation to the valuation of the options granted were:

	2014
Share price	**107.5p**
Expected volatility	**36.8%**
Expected life	**7.0 years**
Risk free rate	**2.1%**
Expected dividend yield	**3.0%**

Expected volatility, to which the fair value is most sensitive, is based on movements in the share price during the year and taking account of the directors' expectations of future movements. The expected life has been arrived at based on the directors' best estimate taking into account exercise conditions and behavioural considerations. The mid-market price of the shares at 31 March 2014 was 74p (2013: 102p) and during the year ranged between 65.5p and 112p (2013: between 102p and 187.5p).

In the prior year, 539,078 options were forfeited following certain employees leaving the Group.

The total charge for the year of £9,000 (2013: credit of £69,000) is split £nil (2013: £58,000) for cash settled options and £9,000 (2013: £11,000) for equity settled options.

21. Fixed asset investments

Shares in subsidiary undertakings

	£000
Cost at 1 April 2013 and 1 April 2014	**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 emergency exit equipment and door closers
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 are registered and operate principally in England and Wales.

Section 5
Other Supporting Notes

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 the Group defined benefit scheme for 2014 was £131,000 (2013: £125,000) plus £156,000 of financing cost (2013: £135,000).

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 £259,000 (2013: £276,000). 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 2014 £000	At 31 March 2013 £000	At 31 March 2012 £000
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase of pensions in payment — post 1997 accrual only	**3.2%**	3.2%	3.1%
Discount rate	**4.3%**	4.2%	4.7%
Inflation assumption — RPI	**3.3%**	3.3%	3.1%
Inflation assumption — CPI	**2.2%**	2.2%	2.0%

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.

		2014 Years	2013 Years
Current pensioners at 65	— male	**21.3**	20.5
	— female	**23.6**	23.2
Future pensioners at 65	— male	**22.3**	21.9
	— female	**24.7**	24.6

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 2014 will increase to £27,365 per month (previously £26,782 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 2015 are £328,000.

Currently the triennial valuation as at 1 April 2013 is in progress.

The scheme assets are stated at the market values at the respective balance sheet dates. The assets and liabilities of the scheme were:

	2014 £000	2013 £000
Equities/diversified growth fund	**7,328**	6,236
Gilts	**3,040**	4,584
Bonds	**2,360**	1,083
Property	**—**	1,101
Insured pensioner assets	**10**	58
Cash	**118**	75
Market value of assets	**12,856**	13,137
Actuarial value of liability	**(16,349)**	(17,050)
Scheme deficit	**(3,493)**	(3,913)
Related deferred tax asset	**699**	900
Net pension liability	**(2,794)**	(3,013)

22. Pension arrangements continued

Net benefit expense recognised in profit and loss

	Year to 31 March 2014 £000	Year to 31 March 2013 As restated £000
Administration costs	**(131)**	(125)
Net interest cost	**(156)**	(135)
Net benefit expense	**(287)**	(260)

Re-measurement (gains)/losses in other comprehensive income

	Year to 31 March 2014 £000	Year to 31 March 2013 As restated £000
Actuarial (gains)/losses arising from changes in financial assumptions	**(269)**	1,497
Actuarial losses arising from changes in demographic assumptions	**34**	—
Experience adjustments	**(407)**	—
Return on assets (excluding interest income)	**304**	(501)
Total re-measurement of the net defined (asset)/liability shown in other comprehensive Income	**(338)**	996

	Year to 31 March 2014 £000	Year to 31 March 2013 As restated £000
Actual return on plan assets	**240**	1,080

Movement in deficit during the year

	Year to 31 March 2014 £000	Year to 31 March 2013 As restated £000
Deficit in scheme at beginning of year	**(3,913)**	(3,061)
Movement in year:		
Employer contributions	**369**	404
Net benefit expense	**(287)**	(260)
Actuarial gain/(loss)	**338**	(996)
Deficit in scheme at end of year	**(3,493)**	(3,913)

Movement in scheme assets

	Year to 31 March 2014 £000	Year to 31 March 2013 As restated £000
Fair value at beginning of year	**13,137**	12,473
Interest income on scheme assets	**544**	579
Return on assets (excluding interest income)	**(304)**	501
Employer contributions	**369**	404
Benefits paid	**(759)**	(695)
Administrative costs	**(131)**	(125)
Fair value at end of year	**12,856**	13,137

Movement in scheme liabilities

	Year to 31 March 2014 £000	Year to 31 March 2013 £000
Benefit obligation at start of year	**17,050**	15,534
Interest cost	**700**	714
Actuarial (gains)/losses arising from changes in financial assumptions	**(269)**	1,497
Actuarial losses arising from changes in demographic assumptions	**34**	—
Experience adjustments	**(407)**	—
Benefits paid	**(759)**	(695)
Benefit obligation at end of year	**16,349**	17,050

The weighted average duration of the pension scheme liabilities are 14.5 years (2013: 16.0 years).

A quantitative sensitivity analysis for significant assumptions as at 31 March 2014 is as shown below:

Present value of scheme liabilities when changing the following assumptions:

	2014 £000
Discount rate increased by 1% p.a.	**14,439**
RPI and CPI increased by 1% p.a.	**17,259**
Mortality — members assumed to be their actual age as opposed to 1 year older	**16,885**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the year.

23. Contingent liabilities

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's bank overdrafts, asset finance loans and invoice finance facilities. The total borrowings of the subsidiaries at 31 March 2014 amounted to £3,611,000 (2013: £nil).

24. Financial commitments

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Capital expenditure				
Contracted for but not provided in the accounts	**51**	88	**—**	25

Lease commitments

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

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Future minimum payments due:				
Not later than one year	**445**	434	**40**	—
After one year but not more than five years	**1,314**	1,578	**87**	—
After five years	**25**	26	**—**	—
	1,784	2,038	**127**	—

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 six months notice prior to 20 August 2014, after which early termination is not permitted.

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 a proportion of forecast exposures are hedged depending on the level of confidence and hedging is topped up following regular reviews. Hedging is built up over 18 months up to an 80% hedge, on this basis up to 50% of the Group's annual exposures are likely to be hedged at any point in time and the Group's net transactional exposure to different currencies varies from time to time. At the year end it had net monetary assets denominated in Euros of £47,000 (2013: £942,000). A proportion of the Group's financial liabilities are denominated in Euros, reducing the currency risk of the Group. Because up to 80% of the Euro debtors are hedged, the impact on net monetary assets of a 5% exchange rate change in the Euro/Sterling would not be material to the profit and loss.

At 31 March 2014, 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 18 months.

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 consolidated 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 £263,000 (2013: £296,000).

A risk to the Group relates to ineffective hedges whereby highly probable sales do not occur and the Group is over hedged against those particular sales. During the previous 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 consolidated 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. No ineffective hedges were identified in the current year.

	Contracted amount (Euro '000)	Weighted average contract rate	Contracted amount £'000	Contracted amount at year end rate £'000	Unrealised gain/(loss) £'000
At 31 March 2014	**6,425**	**1.1631**	**5,524**	**5,310**	**214**
At 31 March 2013	7,700	1.2367	6,226	6,514	(288)

Interest rate risk

The Group operates an overdraft facility with HSBC Bank plc along with asset finance loans and an invoice finance facility. 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 £18,000 reduction in profit before tax (2013: £5,000). An equivalent decrease in rates would increase profit before tax by £18,000 (2013: £5,000).

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

Financial liabilities

	Group		**Company**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Bank overdraft (Sterling denominated)	**341**	(611)	**(369)**	(3,826)
Bank overdraft (Euro denominated)	**(498)**	(370)	**—**	—
Invoice finance (Sterling denominated)	**(1,945)**	—	**—**	—
Invoice finance (Euro denominated)	**(739)**	—	**—**	—
Invoice finance (US Dollar denominated)	**—**	—	**—**	—
Asset finance loans (Sterling denominated)	**(800)**	—	**—**	—
	(3,641)	(981)	**(369)**	(3,826)

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. 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 £195,000 (2013: £152,000).

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 invoice finance facility, subject to net worth and debtor turn covenants, along with 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 £0.5m overdraft facility is renewable annually and is renewable in February 2015. The Group's £6.0m invoice finance facility is renewable in March 2016. The Group is also financed by an £800,000 loan repayable over four years as discussed in the consolidated balance sheet commentary on page 31.

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 which have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial assets and liabilities are valued by level 2 techniques (see note 1.2 for details of valuation technique and inputs). The fair values of short term receivables, short term payables, and the invoice finance facility and overdraft (both of which are repayable on demand) are not disclosed, as permitted by IFRS 7, where the carrying amount is a reasonable approximation to fair value. The fair value of the asset finance loan has been determined by discounting the expected future cash flows using prevailing market interest rates (a level 2 technique). Given that the asset loan is a floating rate loan only taken out in March 2014, its fair value is considered to be the same as the book value of £800,000.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2014 and 31 March 2013.

Non-derivative financial liabilities	On demand	Less than one year	1 to 2 years	2 to 5 years	Total
At 31 March 2014					
Bank overdraft	157	—	—	—	157
Invoice finance	2,684	—	—	—	2,684
Asset loans, including interest	—	226	219	415	860
Trade payables	—	3,740	—	—	3,740
	2,841	**3,966**	**219**	**415**	**7,441**
At 31 March 2013					
Bank overdraft	981	—	—	—	981
Trade payables	—	5,522	—	—	5,522
	981	5,522	—	—	6,503

The gross undiscounted future cashflows are analysed as follows:

Derivative financial liabilities	On demand	Less than one year	1 to 2 years	2 to 5 years	Total
At 31 March 2014					
Foreign Exchange forward contracts	—	4,468	842	—	5,310
	—	**4,468**	**842**	**—**	**5,310**
At 31 March 2013					
Foreign Exchange forward contracts	—	6,514	—	—	6,514
	—	6,514	—	—	6,514

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £6,940,000 (2013: £8,293,000). The Group objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term shareholder value. The Group is subject to net worth covenants and debtor turn covenants on its invoice finance facility. There are no financial covenant restrictions on the Group's overdraft facility or asset loans. Further details are discussed in the consolidated balance sheet commentary on page 31.

26. Related party transactions

Group

All transactions between the parent company and subsidiary companies and between subsidiary 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	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Short term employee benefits (including employer's NI)	**1,412**	1,220	**720**	580
Termination costs (including employer's NI)	**30**	208	**—**	80
Share-based payments	**9**	(69)	**9**	(11)
Pension contributions	**66**	65	**42**	29
	1,517	1,424	**771**	678

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.

27. 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 Strategic Report on pages 02 to 11. 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, comprising a £6.0m invoice discounting facility renewable in March 2016, £0.5m overdraft renewable in February 2015 (the Group is not reliant on this renewal) and a £0.8m loan repayable over four years. As a consequence, the Directors believe that the Group is well placed to manage its business and financial risks successfully.

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 Consolidated 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. As per the non-underlying and exceptional items accounting policy note, the Directors believe that this format sets out the performance of the Group more clearly.

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 re-measured 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.

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 consolidated income statement in the period of acquisition.

27. Summary of significant accounting policies continued

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 consolidated 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 consolidated income statement in the year the item is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software, intellectual property rights and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software and other intangible assets, such as capitalised development expenditure under IAS 38, are amortised over their useful lives on a straight line basis 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.

Previously the engineering division included inventory valued at selling price less the calculated margin on certain finished goods in the absence of more detailed individual product costing information. During the year a change in estimate was made to value all finished goods using the method described above to be consistent with the rest of the Group. Management have evaluated the effect of this change in estimate and do not believe it to be material.

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 consolidated income statement on a straight-line basis over the lease term.

27. 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 consolidated 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 consolidated income statement within sales when the forecast hedged transaction occurs.

At 31 March 2014 the Group held 15 months worth of foreign currency forward contracts designated as hedges of expected future sales to customers in Europe for which the Group has highly probable forecasted transactions.

Hedges are valued by reference to an external marked to market valuation. Group management perform an assessment to confirm the reasonableness of this valuation.

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 credit method. As the scheme is closed to future accrual, no service cost of providing pension to employees is charged to the consolidated income statement. The cost of making improvements to past pension and other post-retirement benefits is recognised in the consolidated income statement immediately as an expense.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under non-underlying operating costs in the consolidated income statement:

- Defined benefit pension scheme administration costs

Re-measurements gains and losses may result from: changes in financial assumptions, changes in demographic assumptions, experience adjustments and differences between the expected return and the actual return on plan assets. Re-measurements 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 consolidated 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 foreseeable future.

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 consolidated income statement.

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 consolidated 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 a Stochastic model. Cash-settled share-based payments are measured at fair value at the balance sheet date using a Stochastic model. The fair value is then charged to the consolidated 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.

27. Summary of significant accounting policies continued

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 consolidated 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. Management have assessed the impact of market conditions on the valuation and have determined them not be material.

Non-underlying and exceptional items

The Group presents as non-underlying items on the face of the consolidated 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, administration costs of the pension scheme and net financing costs of pension obligations, costs associated with the resignation of the former Chief Executive, reorganisation 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.
- Impairment of property, plant and equipment – the Group performs an impairment review when indications of impairment exist. Impairment testing requires an estimate of future cash flows and the application 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. The Group has assessed that it is probable that future profits will fully utilise current tax losses and other deductible temporary differences. Deferred tax assets relating to the pension scheme deficit are expected to be recovered over the period that contributions are made into the scheme, including the agreed contributions to April 2020 and expected contributions to be agreed with the Trustees, following finalisation of the April 2013 actuarial valuation. The deferred tax assets have been assessed as recoverable against forecasts of future taxable profits.

Independent Auditor's Report
to the members of Chamberlin plc

We have audited the financial statements of Chamberlin plc for the year ended 31 March 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 27. 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 19, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of the Group's loss 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 Strategic Report and 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.

Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
20 May 2014

Parent Company Balance Sheet

at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000
Non-current assets			
Property, plant and equipment	13	**953**	978
Intangible assets	14	**1**	4
Investments	21	**8,159**	8,159
Deferred tax asset	18	**707**	946
		9,820	10,087
Current assets			
Trade and other receivables	16	**204**	213
Income taxes receivable	16	**—**	16
Amounts due from subsidiary undertakings	16	**2,178**	5,032
		2,382	5,261
Total assets		**12,202**	15,348
Current liabilities			
Financial liabilities	17	**369**	3,826
Trade and other payables	17	**545**	470
Amounts due to subsidiary undertakings	17	**—**	607
Current tax		**44**	—
		958	4,903
Non-current liabilities			
Deferred tax	18	**3**	15
Defined benefit pension scheme deficit	22	**3,493**	3,913
		3,496	3,928
Total liabilities		**4,454**	8,831
Capital and reserves			
Share capital	19	**1,990**	1,990
Share premium		**1,269**	1,269
Capital redemption reserve		**109**	109
Retained earnings		**4,380**	3,149
Total equity		**7,748**	6,517
Total equity and liabilities		**12,202**	15,348

Kevin Nolan
Director

David Roberts
Director

The accounts were approved by the Board of Directors on 20 May 2014

Parent Company Cash Flow Statement

for the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £000	Year ended 31 March 2013 As restated £000
Operating activities		**£000**	£000
Profit/(loss) for the year before tax		**1,315**	(194)
Adjustments to reconcile profit/(loss) for the year to net cash inflow from operating activities:			
Net finance costs excluding pensions		**108**	109
Investment income		**(3,315)**	(1,525)
Dividends received		**3,315**	1,525
Depreciation of property, plant and equipment	13	**60**	62
Amortisation of software	14	**3**	3
Loss on disposal of property, plant and equipment		**—**	2
Share-based payments	20	**9**	(69)
Difference between pension contributions paid and amounts recognised in the Income Statement		**(82)**	(144)
Decrease/(increase) in receivables		**24**	(13)
Increase/(decrease) in payables		**75**	(144)
Net cash outflow from operating activities		**1,512**	(388)
Investing activities			
Purchase of property, plant and equipment	13	**(37)**	(83)
Purchase of software	14	**—**	(2)
Disposal of plant and equipment		**2**	69
Repayment of intercompany loans		**2,247**	—
Net cash inflow from investing activities		**2,212**	(16)
Financing activities			
Interest paid		**(108)**	(109)
Dividends paid	9	**(159)**	(258)
Net cash outflow from financing activities		**(267)**	(367)
Net increase/(decrease) in financial liabilities		**3,457**	(771)
Financial liabilities at the start of the year		**(3,826)**	(3,055)
Financial liabilities at the end of the year		**(369)**	(3,826)
Financial liabilities comprise:			
Bank overdraft	17	**(369)**	(3,826)
		(369)	(3,826)

Parent Company Statement of Changes in Equity

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings As restated £000	Attributable to equity holders of the Company As restated £000
Balance at 1 April 2012	1,987	1,269	109	4,521	7,886
Loss for the year	—	—	—	(198)	(198)
Other comprehensive income for the year net of tax	—	—	—	(798)	(798)
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 1 April 2013	1,990	1,269	109	3,149	6,517
Profit for the year	—	—	—	1,262	1,262
Other comprehensive income for the year net of tax	—	—	—	156	156
Total comprehensive income	—	—	—	1,418	1,418
Dividends paid	—	—	—	(159)	(159)
Share-based payment	—	—	—	9	9
Deferred tax on employee share options	—	—	—	(37)	(37)
Balance at 31 March 2014	**1,990**	**1,269**	**109**	**4,380**	**7,748**

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.

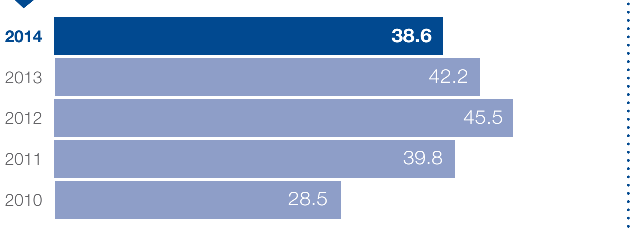
Retained earnings
Retained earnings include the accumulated profits and losses arising from the Consolidated Income Statement and items from the Consolidated Statement of Comprehensive Income attributable to equity shareholders, less distributions to shareholders and share-based compensation expense.

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.

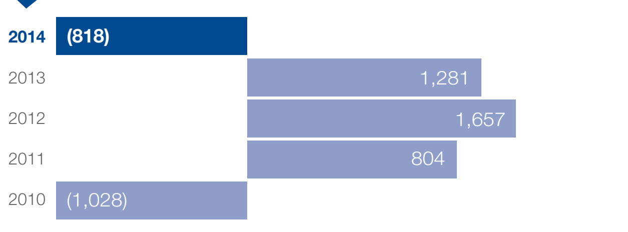
Five Year Financial Summary

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Revenue	**38.6**	42.2	45.5	39.8	28.5
Underlying profit before tax	**(818)**	1,281	1,657	804	(1,028)
Statutory profit before tax	**(2,116)**	799	1,430	333	(1,421)
Underlying diluted earnings per share (pence)	**(7.6)**	14	16.5	6.1	(13.1)
Dividend per share (pence)	**0**	3.3	3	1	0
Cash generated from operation	**(1,425)**	2,260	2,430	1,791	502

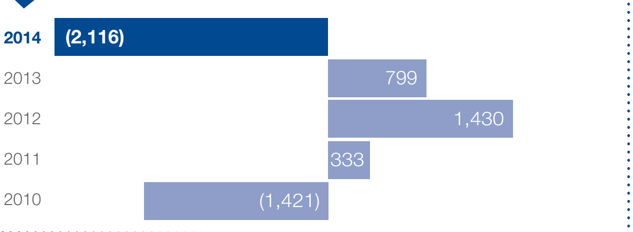
REVENUE (£M)



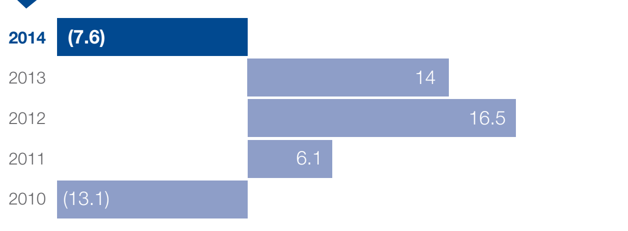
UNDERLYING PROFIT BEFORE TAX (£000)



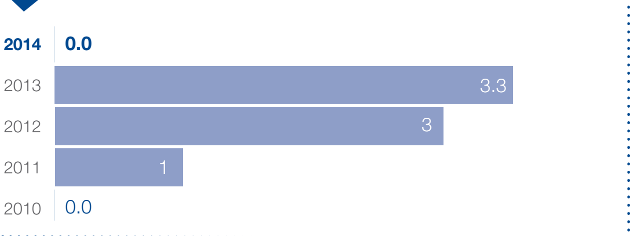
STATUTORY PROFIT BEFORE TAX (£000)



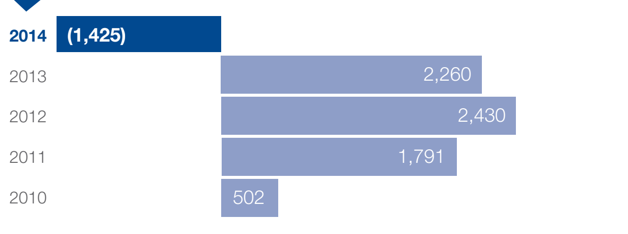
UNDERLYING DILUTED EARNINGS PER SHARE (pence)



DIVIDEND PER SHARE (pence)



CASH GENERATED FROM OPERATIONS (£000)



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:

- 2.00 pm on 29 July 2014; 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 31 July 2014 at the Registered Office, Chuckery Road, Walsall at 2.00 p.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 2014 (Resolution 1).
2. To re-elect as a Director Keith Butler-Wheelhouse (Resolution 2).
3. To re-elect as a Director Kevin Nolan who has been appointed by the Board since the last Annual General Meeting as a Director of the Company (Resolution 3).
4. To re-elect as a Director David Roberts who has been appointed by the Board since the last Annual General Meeting as a Director of the Company (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 2014 (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 31 October 2015, 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):

    (i) 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

    (ii) 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 31 October 2015, 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 31 October 2015, 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

David Roberts
Company Secretary
20 May 2014

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 29 July 2014 (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 13 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 pages 17 to 20.

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

Shareholder Information

Directors	Keith Butler-Wheelhouse (Non-Executive Chairman) Kevin Nolan (Chief Executive) David Roberts (Finance Director) Keith Jackson (Non-Executive) Alan Howarth (Non-Executive)
Company Secretary	David Roberts
Registered Office	Chuckery Road Walsall WS1 2DU Registered in England No. 76928
Auditor	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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