chamberlin plc

DIFFICULT THINGS DONE WELL

ANNUAL REPORT AND ACCOUNTS

for the year ended 31 March 2016

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

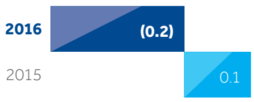
- **Operating in markets with high barriers to entry protected by process know-how or market regulation**
- **Operating across diversified markets with sales driven by the global engineering economy – 75% of sales are ultimately exported**
- **Growth opportunity in the turbocharger castings market benefiting from regulatory drivers and limited competition**
- **Strong, credible management team with a proven track record**
- **Significant capacity opportunity at modest investment costs**

Visit us online
For more information on Chamberlin Group operations please visit our website at
www.chamberlin.co.uk

REVENUE
£35.0m

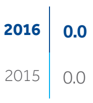
UNDERLYING PROFIT BEFORE TAX
£0.7m

STATUTORY LOSS BEFORE TAX
£0.2m

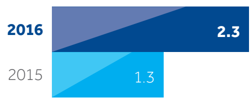


UNDERLYING DILUTED PROFIT PER SHARE
5.5p

DIVIDEND PER SHARE
0.0p



CASH GENERATED FROM OPERATIONS
£2.3m



Highlights

- Results affected by tougher trading conditions and currency, in line with expectations
- Revenues of £35.0m (2015: £40.8m) – reflects weak Euro and downturn in steel, oil and gas and mining sectors
- Underlying profit before tax* of £0.7m (2015: £0.8m) – with £1.0m adverse impact from weak Euro
- Loss before tax on an IFRS basis of £0.2m (2015: profit of £0.1m)
- Underlying diluted profit per share* of 5.5p (2015: 7.2p)
- IFRS diluted loss per share of 3.3p (2015: profit per share of 0.2p)
- Cash inflow from operations increased to £2.3m (2015: £1.3m)
- Net debt at 31 March 2016 reduced to £3.2m (30 September 2015: £4.3m, 31 March 2015: £3.8m)
- Major new automotive contract announced in February 2016 will commence delivery in H2 2017
- Initiative to develop machining capability – will support new long term growth opportunities
- Board remains committed to delivering further progress

* Underlying figures are stated before exceptional items, administration costs of the pension scheme and net financing costs on pension obligations, share based payment costs and associated tax impact of these items.

Contents

Chairman's Statement

KEITH BUTLER-WHEELHOUSE
Chairman

Introduction

Trading results have deteriorated in a challenging period. We have seen a continuing slowdown in the Group's core markets and the strength of Sterling against the Euro was a significant headwind. Revenues at £35.0m and underlying profit before tax at £0.7m are in line with market expectations, reflecting our trading update on 29 February 2016. This performance has been supported by both our tight focus on cost and our programme to improve efficiencies and improve processes.

The Group has closed the financial year with major new contract wins which support a return to profit growth as production volumes come on stream. This is encouraging, as is our investment in new machining capability, which will strengthen our market positioning and widen opportunities.

We reported in our half yearly results that we believed that the Group was better positioned to win profitable revenue and, in the last quarter, were delighted to announce that we had secured a major new automotive contract. In addition to demonstrating Walsall's ability to compete on a global basis in its specialisation, this new contract is strategically significant as it marks the Group's move into the supply of fully machined components. To support this, we are establishing a new machining facility which, when complete, will position the Group as the only fully integrated supplier of grey iron bearing housings in Europe. We remain very excited about the significant new long term growth opportunities this opens up for the Group.

Results

The Group generated revenues of £35.0m (2015: £40.8m) for the year to 31 March 2016, reflecting the severe downturn in key markets, including steel and oil and gas. In addition, adverse Euro/Sterling currency accounted for £1.1m of the year-on-year reduction. Approximately 30% of Group sales are denominated in Euros which were transacted at an average rate of €1.34 (2015: €1.24).

Underlying profit before tax was £0.7m (2015: £0.8m). Diluted underlying profit per share was 5.5p (2015: 7.2p).

On an IFRS basis, the Group generated a loss before tax of £0.2m (2015: profit of £0.1m) after accounting for restructuring costs of £0.5m and administration and finance costs on the closed pension scheme of £0.4m. Diluted statutory loss per share was 3.3p (2015: profit per share of 0.2p).

The net debt position at 31 March 2016 was reduced by £0.6m year-on-year to £3.2m (2015: £3.8m). The Group has debt facilities of £8.0m, of which £3.2m was available at 31 March 2016 for drawdown.

Dividend

No dividend is proposed for the period under review (2015: nil).

Staff

In a very challenging year, our staff have demonstrated their commitment and dedication, and on behalf of the Board, I would like to thank everyone across the business for their hard work. The ongoing process of driving the business forward is underpinned by the talent and efforts of all our teams.

Strategy & Outlook

The Group has closed the financial year with major new contract wins which support a return to profit growth as production volumes come on stream. This is encouraging, as is our investment in new machining capability, which will strengthen our market positioning and widen opportunities.

While there is still work to be done, the Group is in a stronger position than it was two years ago and we remain committed to delivering further progress. We will provide a further update on trading at the AGM.

KEITH BUTLER-WHEELHOUSE
Chairman
23 May 2016

Group at a Glance

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.

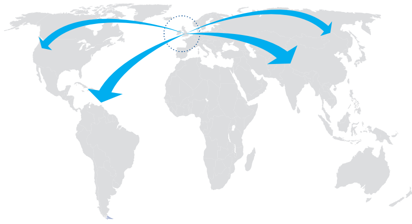
Work is allocated across its three foundry sites based on size and metallurgy as follows:

- Light Castings based in Walsall produce 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 tonne 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.

Global sales

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



Approximately 75% of output is ultimately exported. Direct exports account for45% 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 30% of our output. Against this 25% 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 and Tata Steel, are typically leaders in their sectors.

UK Manufacturing

HEAD OFFICE

1 Walsall

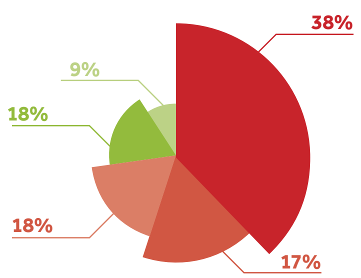
FOUNDRIES

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

ENGINEERING

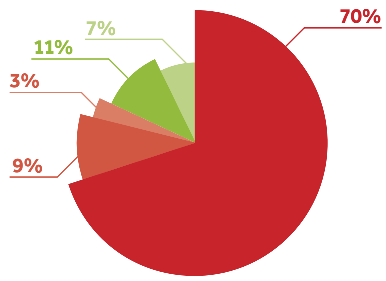
5 Exidor, Cannock
6 Petrel, Birmingham

REVENUE BY BUSINESS



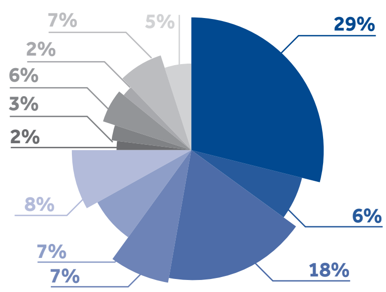
- Light Castings
- Medium Castings
- Heavy Castings
- Security/safety
- Hazardous Environments

DIRECT EXPORTS



- Light Castings
- Medium Castings
- Heavy Castings
- Security/safety
- Hazardous Environments

MARKETS SERVED

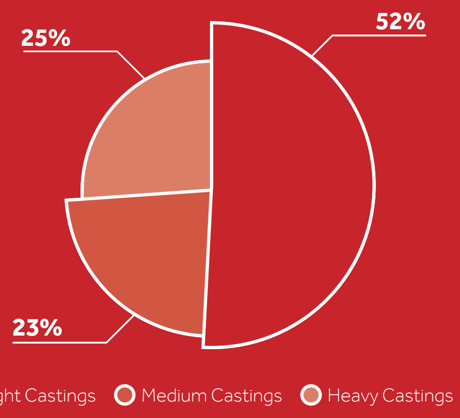


- Passenger car turbo
- Commercial diesel
- Safety/security
- Construction equipment
- Hydraulics
- Hazardous environments
- Mining & quarrying
- Off road vehicles
- Power generation
- Civil engineering
- General engineering
- Other

Group at a Glance

FOUNDRY OVERVIEW

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.



Chamberlin & Hill Castings Ltd Walsall

Overview

Our foundry at Walsall is our flagship operation and drives approximately half the foundry division's sales. Walsall's expertise is in producing small castings, typically below 3kg in weight, which have complex internal geometry. The complex geometry is achieved through the use of innovative core assembly techniques and, importantly, the foundry is capable of producing these castings in high volumes. The automotive turbocharger segment is a major market for Walsall, with modern designs requiring precise alignment of cooling and lubrication passages to meet the increased performance demanded by modern engines.

Marketplace

Legislation remains a major driver of this market, with the requirement to reduce CO_2 emissions promoting the introduction of smaller, turbocharged petrol engines. Walsall's award of a major new automotive contract in the final quarter of the financial year reflects the foundry's ability to compete internationally in its specialist area.

Chamberlin & Hill Castings Ltd Leicester

Overview

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.

Marketplace

Demand at our Leicester foundry remained subdued and we have taken action to reduce the cost base to ensure a lower breakeven point.

Underlying Profit Before Tax (£000)

Russell Ductile Castings Ltd

Overview

RDC is based in Scunthorpe and specialises in heavy castings weighing up to 6,000kg which have complex geometry and challenging metallurgy. These castings are used in applications where there is a requirement for high strength or high temperature performance, for instance in large process compressors, industrial gas turbines and mining, quarrying and construction equipment.

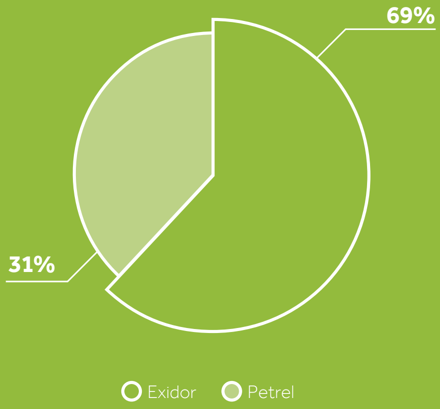
RDC supplies a wide variety of industries including power generation, oil & gas, steel and construction equipment. The majority of RDC customers are OEMs.

Marketplace

Demand at our Scunthorpe foundry remained subdued and we have taken action to reduce the cost base to ensure a lower breakeven point.

ENGINEERING OVERVIEW

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.



Exidor Ltd

Overview

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.

Marketplace

The business is the UK market leader in panic and emergency exit door hardware. The business 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. The business performed well and we are pleased with its continuing progress in increasing export sales.

Petrel Ltd

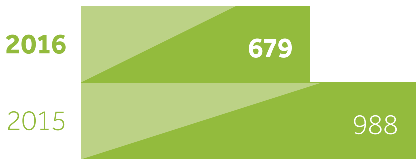
Overview

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.

Marketplace

Petrel Limited has a well established reputation for designing and manufacturing high quality lighting and control equipment for use in hazardous or demanding environments. The business supplies customers across the UK and Europe as well as internationally. Sales at Petrel have been affected by the downturn in the oil & gas sector. However, the business is continuing to invest in developing its LED offering as well as its portable light fittings range to ensure that customers benefit from ongoing advances in technology.

Underlying Profit Before Tax (£000)



Chief Executive's Review

KEVIN NOLAN
Chief Executive

The Group's overall performance has been robust in difficult trading conditions and the outcome in underlying profits reflects our work over the last two years or so to realign the cost base and improve efficiencies and processes. Our focus remains on improving performance and in particular capturing the new opportunities that we have identified in the automotive sector.

Foundries

While foundry revenues decreased year-on-year to £25.6m (2015: £30.4m), operating profit at £1.2m showed only a £0.1m reduction (2015: £1.3m).

The Group operates three foundries, at Walsall, Leicester and Scunthorpe, each with a different specialisation. Our foundry at Walsall is our flagship operation and drives approximately half the foundry division's sales. Walsall's expertise is in producing small castings, typically below 3kg in weight, which have complex internal geometry. The complex geometry is achieved through the use of innovative core assembly techniques and, importantly, the foundry is capable of producing these castings in high volumes. The automotive turbocharger segment is a major market for Walsall, with modern designs requiring precise alignment of cooling and lubrication passages to meet the increased performance demanded by modern engines.

Legislation remains a major driver of this market, with the requirement to reduce CO_2 emissions promoting the introduction of smaller, turbocharged petrol engines. Turbochargers accounted for 44.4% of the Foundry Division sales over the year (2015: 40.3%). Walsall's award of a major new automotive contract in the final quarter of the financial year reflects the foundry's ability to compete internationally in its specialist area. The contract is also strategically important as we will be supplying turbo charger bearing housings which are fully machined in-house. To support this, we are investing an initial £1.6m in a new machining facility. This initiative is an exciting development which we expect to open up significant new long term growth opportunities, with Walsall positioned as the only fully integrated supplier of grey iron bearing housings in Europe.

Walsall's award of a major new automotive contract in the final quarter of the financial year reflects the foundry's ability to compete internationally in its specialist area. To support this, we are investing an initial £1.6m in a new machining facility.

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. The Scunthorpe foundry focuses on heavy castings weighing up to 6,000kg which have complex geometry and challenging metallurgy. These castings are used in applications where there is a requirement for high strength or high temperature performance, for instance in large process compressors, industrial gas turbines and mining, quarrying and construction equipment. Demand at both foundries remained subdued and we have taken action to reduce the cost base at both foundries to ensure a lower breakeven point.

Engineering

Revenues from the engineering operations, comprising our Exidor and Petrel businesses, decreased year-on-year to £9.4m (2015: £10.4m) and operating profit was £0.7m (2015: £1.0m). This Division now accounts for approximately 27% of Group revenues.

Our Exidor business is the UK market leader in panic and emergency exit door hardware. The business 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. The business performed well and we are pleased with its continuing progress in increasing export sales. We remain focused on driving overseas sales while continuing to maintain Exidor's leading UK position.

Petrel Limited has a well established reputation for designing and manufacturing high quality lighting and control equipment for use in hazardous or demanding environments. The business supplies customers across the UK and Europe as well as internationally. Sales at Petrel have been affected by the downturn in the oil & gas sector. However, the business is continuing to invest in developing its LED offering as well as its portable light fittings range to ensure that customers benefit from ongoing advances in technology. Approximately 11.8% of sales (2015: 11.6%) were generated from portable lighting and LED products over the year and we expect this percentage to continue to increase as the business transitions to LED.

Outlook

We expect trading conditions to remain constrained in some of our key markets and, reflecting this, we remain focused on cost control and efficiencies. Nonetheless, we are also encouraged by the opportunities we see for our foundry activities at Walsall, underpinned by recent contract wins and our initiative to develop our machining capability.

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.

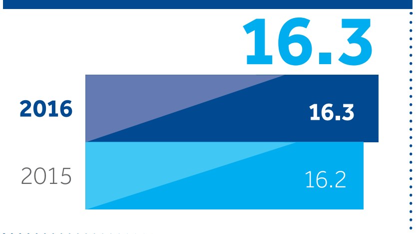
Key Performance Indicators

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:

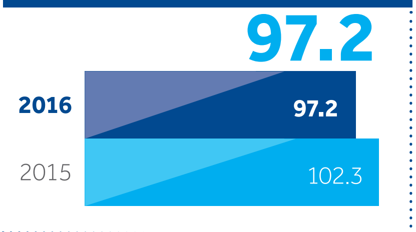
		Year ended 31 March 2016	Year ended 31 March 2015
Return on sales	Foundries	**4.7%**	4.1%
	Engineering	**7.3%**	9.5%
	Group	**2.4%**	2.4%
Return on net assets	Foundries	**13.1%**	12.1%
	Engineering	**21.5%**	28.6%
	Group	**16.3%**	16.2%
Sales per employee (£000)	Foundries	**£102.5**	£105.3
	Engineering	**£95.4**	£104.0
	Group	**£97.2**	£102.3
Accident frequency rate	Foundries	**9.0**	8.4
	Engineering	**8.0**	8.1
	Group	**8.7**	8.3

RETURN ON SALES
(%)

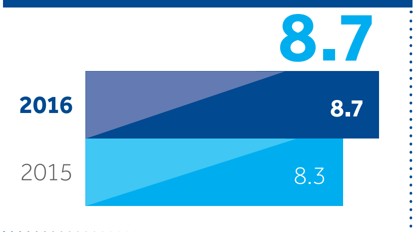
RETURN ON NET ASSETS
(%)



SALES PER EMPLOYEE
(£000)



ACCIDENT FREQUENCY RATE
(number per 100,000 hours)



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.

Our Key Performance Indicators are defined as:

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.

Principal Risks and Uncertainties

Management throughout the Group use 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 11 to 13.

Risk	Description of Risk & Potential Impact	Mitigation
Foreign currency fluctuation	Approximately 30% 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.

The Strategic Report, which comprises pages 3 to 8, together with the commentary on the primary statements on pages 22 to 29, has been approved by the board of Directors and signed on their behalf by:

KEVIN NOLAN
Chief Executive
23 May 2016

GOVERNANCE

The Board

EXECUTIVE DIRECTORS

KEVIN NOLAN
Chief Executive
Aged 59, 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.

DAVID ROBERTS
Finance Director
Aged 47, 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

KEITH BUTLER-WHEELHOUSE
Chairman
Aged 70, 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.

KEITH JACKSON
Senior Independent Director
Aged 67, 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.

ALAN HOWARTH
Non-Executive Director
Aged 70, 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.

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.

The Board considers Keith Jackson (first appointed 1 October 2005) and Alan Howarth (first appointed 16 January 2007) to be independent non-executive directors. Given the length of service the Board has determined they are independent in character and judgement taking into account their range of experience, qualifications and other sources of income.

(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 22July 2016 (see the Notice of Annual General Meeting on pages 67 to 69), 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 good corporate governance provisions in respect of the re-election of directors 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 14 to 15.

(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.

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	9	–	3	2
Keith Butler-Wheelhouse	9	–	3	2
Keith Jackson	9	–	3	2
Alan Howarth	9	–	3	2
Kevin Nolan	9	–	n/a	n/a
David Roberts	9	–	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
Secretary
23 May 2016

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 2016 the bonus in respect of Kevin Nolan and David Roberts was linked to the profit and working capital 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 on page 15.

Service contracts

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

Non-executive directors

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

Directors' remuneration

	Basic salary £000	Benefits £000	Annual bonus £000	Total remuneration excluding pensions 2016 £000	Total remuneration excluding pensions 2015 £000
Executive					
Kevin Nolan*	213	2	40	**255**	326
David Roberts	149	2	28	**179**	214
Non-Executive					
Keith Butler-Wheelhouse	75	–	–	**75**	75
Keith Jackson	27	–	–	**27**	23
Alan Howarth	27	–	–	**27**	23
Total	**491**	**4**	**68**	**563**	661
Total 2015	468	5	188		661

* Highest paid director in 2016 and 2015.

Benefits include all assessable tax benefits arising from employment by the Company, and relate mainly to the provision of 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 not paid until after 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 (2015: nil) which is a closed defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	Contribution paid 2016 £000	Contribution paid 2015 £000
K Nolan	10%	**20**	20
D Roberts	10%	**14**	13

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

Directors' options

	31 March 2015	Granted in year	Exercised in year	Lapsed or forfeited in year	31 March 2016	Option exercise price	Exercisable between
Kevin Nolan	59,880	–	–	–	**59,880**	100.2p	20.9.2016 – 19.9.2023
	59,880	–	–	–	**59,880**	100.2p	20.9.2017 – 19.9.2023
	59,880	–	–	–	**59,880**	100.2p	20.9.2018 – 19.9.2023
	120,732	–	–	–	**120,732**	97.65p	25.11.17 – 25.11.2024
	120,732	–	–	–	**120,732**	97.65p	25.11.18 – 25.11.2024
	120,731	–	–	–	**120,731**	97.65p	25.11.19 – 25.11.2024
David Roberts	41,583	–	–	–	**41,583**	100.2p	20.9.2016 – 19.9.2023
	41,583	–	–	–	**41,583**	100.2p	20.9.2017 – 19.9.2023
	41,584	–	–	–	**41,584**	100.2p	20.9.2018 – 19.9.2023
	79,268	–	–	–	**79,268**	97.65p	25.11.17 – 25.11.2024
	79,268	–	–	–	**79,268**	97.65p	25.11.18 – 25.11.2024
	79,269	–	–	–	**79,269**	97.65p	25.11.19 – 25.11.2024
	904,390	–	–	–	**904,390**		

A Share Option Plan ("SOP") has issued two tranches of share options, the first at 100.2p per share and the second at 97.7p 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.

Where applicable, option grants are exercisable only upon the achievement of the performance targets as outlined above.

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

No share options have been exercised in 2016 or 2015.

There have been no changes in the interests set out above between 1 April 2016 and 23 May 2016.

The mid-market price of the shares at 31 March 2016 was 66p and during the year ranged between 64p and 84.5p.

On behalf of the Board

ALAN HOWARTH
Chairman, Remuneration Committee
23 May 2016

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 March 2016.

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 2016	Year to 31 March 2015
Foundries	**250**	289
Engineering	**98**	100
Head office*	**12**	10
Group	**360**	399

* 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;
- 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 (2015: nil p). No interim dividend (2015: nil p) 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 14 to 15.

See Board of Directors on page 10 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 2016 Number of shares	At 31 March 2015 Number of shares
Keith Butler-Wheelhouse	**120,127**	120,127
Kevin Nolan	**–**	–
David Roberts	**5,000**	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 2016 and 23 May 2016.

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 23 May 2016). 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 23 May 2016.

Authority to purchase own shares

At the Annual General Meeting in 2015, 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 23 May 2016.

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 67 to 69.

Substantial shareholders

At 23 May 2016 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	990,471	12.5
Henderson Global Investors	741,000	9.3
Chelverton Asset Management	500,000	6.3
Schroder Institutional UK Smaller Companies Fund	348,500	4.4
AXA Framlington	300,000	3.8
Perfecta Assets Ltd	275,000	3.5

At the Annual General Meeting to be held on 22 July 2016 (see the Notice of Annual General Meeting on pages 67 to 69), 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 Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 March 2017. The invoice finance facility is also due for renewal in March 2017 but there is currently no indication this won't be renewed. In forming this view the directors have reviewed budgets and other financial information as set out in note 2 to the Financial Statements and the available headroom on the various facilities. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' statement as to disclosure of information to auditors

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

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

Post balance sheet events

There have been no post balance sheet events.

Auditors

A resolution will be proposed to reappoint Grant Thornton UK LLP as auditors and to authorise the directors to determine their remuneration.

By order of the Board

DAVID ROBERTS
Secretary
23 May 2016

FINANCIAL STATEMENTS

Introduction

DAVID ROBERTS
Finance Director

Whilst the accounting policies adopted by the Group 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 27 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 structured the notes into five categories (as outlined in the table of contents on the opposite page) for easier navigation.

The directors have included the annual financial review on the following pages as commentary on the primary statements.

INTRODUCTION AND TABLE OF CONTENTS

These financial statements have been 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 Financing Costs' and 'Other 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 or 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 2016

	Notes	**Year ended 31 March 2016** **Underlying** **£000**	**Non-underlying*** **£000**	**Total** **£000**	Year ended 31 March 2015 Underlying £000	Non-underlying* £000	Total £000
Revenue	3	**34,988**	**–**	**34,988**	40,835	–	40,835
Cost of sales		**(27,657)**	**–**	**(27,657)**	(32,612)	–	(32,612)
Gross profit		**7,331**	**–**	**7,331**	8,223	–	8,223
Other operating expense	4, 12	**(6,501)**	**(746)**	**(7,247)**	(7,236)	(583)	(7,819)
Operating profit/(loss)	7	**830**	**(746)**	**84**	987	(583)	404
Finance costs	6	**(178)**	**(142)**	**(320)**	(184)	(144)	(328)
Profit/(loss) before tax		**652**	**(888)**	**(236)**	803	(727)	76
Tax (expense)/credit	8	**(202)**	**177**	**(25)**	(213)	153	(60)
Profit/(loss) for the year from continuing operations attributable to equity holders of the parent company		**450**	**(711)**	**(261)**	590	(574)	16
Earnings/(loss) per share:							
basic	11			**(3.3)p**			0.2p
underlying	11	**5.7p**			7.4p		
diluted	11			**(3.3)p**			0.2p
diluted underlying	11	**5.5p**			7.2p		

* Non-underlying items represent 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.

Commentary on the Consolidated Income Statement

OVERVIEW

Sales decreased by 14.3% during the year to £35.0m (2015: £40.8m). Gross profit margin increased from 20.1% in 2015 to 21.0% in 2016.

Underlying profit before tax is £0.7m (2015: £0.8m). Diluted underlying earnings per share was 5.5p (2015: 7.2p).

The IFRS results show an operating profit of £0.1m (2015: £0.4m), loss before tax of £0.2m (2015: profit of £0.1m) and statutory loss per share of 3.3p (2015: earnings per share 0.2p).

EXCEPTIONAL ITEMS

Exceptional items in the year included £0.5m (2015: £0.4m) relating to the realignment of the cost base of the Group. As a result the headcount of the Group has been reduced by 9.8% from 399 to 360.

TAX

The Group's underlying tax charge for the year was £0.2m (2015: £0.2m) with an underlying effective rate of 31% (2015: 27%). The IFRS total tax charge for the year was nil (2015: £0.1m), an effective tax rate of 11% (2015: 79%).

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.

Approximately 30% of the Group's revenues are denominated in Euros. During the year to 31 March 2016 the average exchange rate used to translate into GBP sterling was €1.34 (31 March 2015: €1.24).

PENSION

The Group's defined benefit pension scheme was closed to future accrual in 2007. Following the last triennial valuation, as at 1 April 2013, 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 14 years.

The pension expense for the defined benefit scheme was £0.2m in 2016 (2015: £0.2m), and is shown in non-underlying. The Group cash contribution during the year was £0.3m (2015: £0.3m).

The Group operates a defined contribution pension scheme for its current employees. The cost of £0.3m (2015: £0.3m) is included within underlying operating performance.

The IAS 19 deficit at 31 March 2016 was £4.7m (2015: £4.5m). The increase principally reflects the underperformance on assets against expected levels partially offset by the increase in the discount rate used to calculate scheme liabilities, as a consequence of a rise in bond yields over the last year.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £000	2015 £000
(Loss)/profit for the year		**(261)**	16
Other comprehensive income			
Reclassification for cashflow hedge included in sales		**(419)**	193
Movements in fair value on cash flow hedges taken to other comprehensive income		**(193)**	(162)
Deferred tax on movement in cash flow hedges	8	**123**	(6)
Movement on deferred tax relating to rate change	8	**(9)**	–
Net other comprehensive income that may be recycled to profit and loss		**(498)**	25
Remeasurement (losses) on pension assets and liabilities	22	**(254)**	(1,150)
Deferred/current tax on remeasurement losses on pension scheme	8	**51**	242
Movement on deferred tax on remeasurement losses relating to rate change	8	**(93)**	–
Net other comprehensive (expense) that will not be reclassified to profit and loss		**(296)**	(908)
Other comprehensive (expense) for the year net of tax		**(794)**	(883)
Total comprehensive expense for the period attributable to equity holders of the parent company		**(1,055)**	(867)

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 loss of £0.5m in 2016 (2015: gain of £nil).

Re-measurement gains and losses 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 earnings £000	Attributable to equity holders of the parent £000
Balance at 1 April 2014	1,990	1,269	109	130	3,442	6,940
Profit for the year	–	–	–	–	16	16
Other comprehensive income for the year net of tax	–	–	–	25	(908)	(883)
Total comprehensive income/(expense)	–	–	–	25	(892)	(867)
Share based payment	–	–	–	–	30	30
Deferred tax on employee share options	–	–	–	–	6	6
Total of transactions with shareholders	–	–	–	–	36	36
Balance at 1 April 2015	1,990	1,269	109	155	2,586	6,109
Loss for the year	–	–	–	–	(261)	(261)
Other comprehensive income for the year net of tax	–	–	–	(498)	(296)	(794)
Total comprehensive income/(expense)	–	–	–	(498)	(557)	(1,055)
Share based payment	–	–	–	–	53	53
Deferred tax on employee share options	–	–	–	–	(14)	(14)
Total of transactions with shareholders	–	–	–	–	39	39
Balance at 31 March 2016	**1,990**	**1,269**	**109**	**(343)**	**2,068**	**5,093**

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.

Consolidated Balance Sheet

AT 31 MARCH 2016

	Notes	31 March 2016 £000	31 March 2015 £000
Non-current assets			
Property, plant and equipment	13	**8,112**	7,900
Intangible assets	14	**387**	452
Deferred tax asset	18	**1,370**	1,382
		9,869	9,734
Current assets			
Inventories	15	**2,899**	4,006
Trade and other receivables	16	**6,195**	7,809
Current tax	16	**–**	1
		9,094	11,816
Total assets		**18,963**	21,550
Current liabilities			
Financial liabilities	17	**2,941**	3,392
Trade and other payables	17	**5,727**	6,801
Provisions	17	**–**	–
		8,668	10,193
Non current liabilities			
Financial liabilities	18	**251**	400
Deferred tax	18	**59**	104
Provisions	18	**200**	200
Defined benefit pension scheme deficit	22	**4,692**	4,544
		5,202	5,248
Total liabilities		**13,870**	15,441
Capital and reserves			
Share capital	19	**1,990**	1,990
Share premium		**1,269**	1,269
Capital redemption reserve		**109**	109
Hedging reserve		**(343)**	155
Retained earnings		**2,068**	2,586
Total equity		**5,093**	6,109
Total equity and liabilities		**18,963**	21,550

KEVIN NOLAN
DAVID ROBERTS
Directors

The accounts were approved by the Board of Directors on 23 May 2016

Commentary on Consolidated Balance Sheet

NET DEBT

Net Debt at the year end was £3.2m compared to £3.8m at the end of the previous year. Total committed bank facilities available to the Group at the year end was £8.0m (2015: £8.1m), of which £3.2m (2015: £3.8m) was drawn.

PROPERTY, PLANT AND EQUIPMENT (PPE)

The net book value of the Group's investment in PPE at 31 March 2016 was £8.1m. Capital Expenditure on PPE of £1.5m (2015: £1.3m) represented 119% (2015: 107%) of depreciation of £1.2m (2015: £1.2m).

CASH GENERATION AND FINANCING

Operating cash inflow was £2.3m (2015: £1.3m).

Capital expenditure for the year increased to £1.5m (2015: £1.4m). This was ahead of depreciation and amortisation of £1.3m (2015: £1.3m).

Our overdraft and net borrowings at 31 March 2016 decreased to £3.2m (2015: £3.8m). The Group debt facility has four elements: £7.0m invoice discounting facility, £0.5m overdraft, a £0.4m loan repayable over two years and other finance leases of £0.1m. The Group is now trading with a comfortable level of headroom within these facilities.

The facility has the following covenants at year end:

	Actual 31 March 2016	Covenant
Tangible net worth	**£4.7m**	£5.4m
Debt turn	**54 days**	65 days
Credit notes issued as a percentage of sales	**2.3%**	Less than 5%

The Group recorded a technical breach of its tangible net worth covenant as at 31 March 2016. In May 2016 HSBC agreed to waive any rights and remedies in respect of this breach and rebase the covenant to £5.0m to be assessed at 31 March 2017. No further action is being taken.

WORKING CAPITAL

Working Capital, comprising Inventories, Trade and Other Receivables and Trade and Other Payables was 12% of annual sales (2015: 12%) as at year end.

Robust credit control has reduced overdue receivables to 4.8% (2015: 5.1%).

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 2016 was £4.7m (2015: £4.5m).

During the prior year the triennial valuation as at 1 April 2013 was concluded. In return for maintaining the previous contribution arrangements and extending the deficit reduction period to 2028, the Company has given security over the Group's land and buildings to the pension scheme. The statement of funding principles agreed with the Trustees during 2015 that the valuation resulted in an actuarial deficit of £4.2m where upon it was agreed to pay contributions of £0.3m each year rising by 3% per annum.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Operating activities			
(Loss)/profit for the year before tax		**(236)**	76
Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities:			
Net finance costs excluding pensions	6	**178**	184
Depreciation of property, plant and equipment	13	**1,235**	1,180
Amortisation of software	14	**97**	105
Amortisation and impairment of development costs	14	**11**	8
Profit on disposal of property, plant and equipment	7	**(12)**	(6)
Loss on disposal of intangibles	7	**–**	11
Share based payments	20	**53**	30
Difference between pension contributions paid and amounts recognised in the Consolidated Income Statement		**(106)**	(99)
Decrease/(increase) in inventories		**1,107**	(272)
Decrease/(increase) in receivables		**1,421**	(268)
(Decrease)/increase in payables		**(1,493)**	160
Increase in provisions		**–**	174
Cash inflow from operations		**2,255**	1,283
Income taxes received		**1**	37
Net cash inflow from operating activities		**2,256**	1,320
Investing activities			
Purchase of property, plant and equipment	13	**(1,468)**	(1,261)
Purchase of software	14	**(31)**	(120)
Development costs	14	**(12)**	–
Disposal of plant and equipment		**33**	94
Net cash outflow from investing activities		**(1,478)**	(1,287)
Financing activities			
Interest paid	6	**(178)**	(184)
Repayment of asset loan	18	**(200)**	(200)
Net invoice finance (repayment)/drawdown	17	**(319)**	217
Finance leases taken out	17, 18	**84**	–
Net cash outflow from financing activities		**(613)**	(167)
Net increase/(decrease) in cash and cash equivalents		**165**	(134)
Cash and cash equivalents at the start of the year		**(291)**	(157)
Cash and cash equivalents at the end of the year	17	**(126)**	(291)
Cash and cash equivalents comprise:			
Bank overdraft	17	**(126)**	(291)
		(126)	(291)

Commentary on the Consolidated Cash Flow Statement

OPERATING CASH FLOW

The operating cash inflow for the total Group was £2.3m (2015: £1.3m), driven by the improved working capital of £1.0m (2015: reduction of £0.2m) and the depreciation charge of £1.2m (2015: £1.2m).

Net working capital balances decreased by £1.0m (2015: increase of £0.2m) during the year.

Cash spent on property, plant and equipment and capitalised software and development costs in the year was £1.5m (2015: £1.4m) which was equivalent to 119% (2015: 107%) of depreciation and amortisation thereon.

CLOSING NET DEBT

Opening net debt was £3.8m (2015: £3.6m). After the net debt reduction in the year of £0.6m (2015: increase of £0.2m) closing net debt was £3.2m (2015: £3.8m).

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 2016 were authorised for issue by the board of directors on 23 May 2016 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

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

NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

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

International Accounting Standards	Effective date
IFRS Annual Improvements 2012-14	1 January 2016*
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
IFRS 9 Financial Instruments	1 January 2018^
IFRS 15 Revenue from Contracts with Customers	1 January 2018^
IFRS 14 Regulatory Deferral Accounts	1 January 2016^
IFRS 16 Leases	1 January 2019^

* Effective date in EU (early adoption permitted).

^ Not adopted by the EU as at 31 March 2016.

There are other standards in issue which are not expected to have an impact on the Group and have therefore not been included in the list above.

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 monitor the operating results of their 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	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Foundries	**25,635**	30,432	**1,212**	1,259
Engineering	**9,353**	10,403	**679**	988
Segment results	**34,988**	40,835	**1,891**	2,247
Reconciliation of reported segmental operating profit				
Segment operating profit			**1,891**	2,247
Shared cost (excluding share based payment charge)			**(1,061)**	(1,260)
Exceptional and non-underlying costs (note 12)			**(746)**	(583)
Net finance costs (note 6)			**(320)**	(328)
(Loss)/profit before tax			**(236)**	76
Segmental assets				
Foundries			**13,560**	15,221
Engineering			**4,768**	5,617
			18,328	20,838
Segmental liabilities				
Foundries			**(4,313)**	(4,844)
Engineering			**(1,614)**	(2,157)
			(5,927)	(7,001)
Segmental net assets			**12,401**	13,837
Unallocated net liabilities			**(7,308)**	(7,728)
Total net assets			**5,093**	6,109

Unallocated net liabilities include the pension liability of £4,692,000 (2015: £4,544,000), financial liabilities of £3,192,000 (2015: £3,792,000), deferred tax asset of £564,000 (2015: £585,000) and other assets of £12,000 (2015: £23,000).

3 SEGMENTAL ANALYSIS CONTINUED

Capital expenditure, depreciation, amortisation and impairment

	Foundries		Engineering		Total	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Capital additions						
Property, plant and equipment (note 13)	**1,381**	937	**87**	324	**1,468**	1,261
Software (note 14)	**13**	80	**18**	40	**31**	120
Development costs (note 14)	**–**	–	**12**	–	**12**	–
Depreciation, amortisation and impairment						
Property, plant and equipment (note 13)	**(985)**	(941)	**(250)**	(239)	**(1,235)**	(1,180)
Software (note 14)	**(85)**	(83)	**(12)**	(22)	**(97)**	(105)
Development costs (note 14)	**–**	–	**(11)**	(8)	**(11)**	(8)

(ii) Geographical information

Revenue by location of customer	**2016 £000**	2015 £000
United Kingdom	**20,179**	24,992
Germany	**4,952**	6,997
Rest of Europe	**7,594**	6,592
Other countries	**2,263**	2,254
	34,988	40,835

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

No individual customer represents more than 10% of Group revenue (2015: none).

4 OTHER OPERATING EXPENSES

	2016 £000	2015 £000
Distribution costs	**923**	1,162
Administration and selling expenses	**5,578**	6,074
Operating expenses before exceptional items	**6,501**	7,236
Exceptional and non-underlying items (note 12)	**746**	583
Operating expenses	**7,247**	7,819

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Group

	2016 Number	2015 Number
Management and administration	**76**	81
Production	**284**	318
Total employees	**360**	399

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

	2016 £000	2015 £000
Wages and salaries	**12,099**	12,984
Social security costs	**1,132**	1,305
Other pension costs (note 22)	**331**	312
Share based payment expense (note 20)	**53**	30
	13,615	14,631

Directors' remuneration summary	2016 £000	2015 £000
Directors' remuneration	**562**	661
Company contributions to money purchase pension scheme	**34**	33
Share based payment charge of options granted to directors (see note 20)	**53**	30

Number of directors accruing benefits under:

	2016 Number	2015 Number
Defined contribution pension schemes	**2**	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 14 to 15.

The total amount payable to the highest paid director in respect of remuneration was £255,000 (2015: £326,000). Company pension contributions of £20,000 (2015: £20,000) were made to a money purchase pension scheme on his behalf.

6 FINANCE COSTS

	2016 £000	2015 £000
Bank overdraft interest payable	**(178)**	(184)
Finance cost of pensions (see note 22)	**(142)**	(144)
	(320)	(328)

Section 2
Results of the Year CONTINUED

7 OPERATING PROFIT

	2016 £000	2015 £000
This is stated after charging/(crediting):		
Profit on disposal of fixed assets	**(12)**	(6)
Loss on disposal of intangibles	**–**	11
Depreciation of owned assets	**1,235**	1,180
Amortisation of software	**97**	105
Research and development expenditure (excluding capitalised development costs: note 14)	**76**	63
Amortisation of development costs	**11**	8
Cost of inventories recognised as an expense	**12,536**	15,700
Exceptional costs (note 12)	**463**	417
Exchange loss/(gain)	**38**	21
Auditor's remuneration:		
Group audit fees	**18**	18
Audit fees for statutory accounts of subsidiaries	**40**	40
Audit related assurance services	**5**	5
Non-audit related services	**7**	–
Rentals under operating leases:		
Hire of plant and equipment	**160**	175
Motor vehicles	**82**	61
Land and buildings	**361**	330

8 TAXATION

	2016 £000	2015 £000
Current tax:		
UK Corporation tax at 20% (2015: 21%)	**–**	–
Adjustments in respect of prior years	**1**	–
	1	–
Deferred tax:		
Origination and reversal of temporary differences	**(7)**	59
Adjustments in respect of prior years	**(12)**	1
Change in tax rate	**43**	–
	24	60
Tax expense/(credit) reported in the consolidated income statement	**25**	60

The Corporation tax rate fell from 21% for the year ended 31 March 2015 to 20% for the year ended 31 March 2016. The Corporation tax rate will fall to 19% from 1 April 2017 and to 18% from 1 April 2020, a rate change which was substantively enacted on 26 October 2015.

During the year the Group utilised brought forward tax losses of £57,000 (2015: £115,000).

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

	2016 £000	2015 £000
Current tax:	**–**	–
Deferred tax:		
Retirement benefit obligation	**(51)**	(242)
Fair value movements on cash flow hedges	**(123)**	6
Change in tax rate	**102**	–
	(72)	(236)
Tax (credit)/charge reported in the consolidated statement of comprehensive income	**(72)**	(236)
Current tax:	**–**	–
Deferred tax:		
Employee share options	**14**	(6)
Tax charge/(credit) reported in the consolidated statement of changes in equity	**14**	(6)

Reconciliation of total tax charge	2016 £000	2015 £000
(Loss)/profit on ordinary activities before tax	**(236)**	76
Corporation tax charge at standard rate of 20% (2015: 21%) on (loss)/profit before tax	**(47)**	16
Adjusted by the effects of:		
Expenses not deductible for tax purposes	**49**	24
Timing differences	**(9)**	(11)
Amounts (over)/under provided in prior years		
– corporation tax	**1**	–
– deferred tax	**(12)**	1
Movement in deferred tax on change in corporation tax rate	**43**	30
Total tax expense/(credit) reported in the consolidated income statement	**25**	60

9 DIVIDENDS PAID AND PROPOSED

	2016 £000	2015 £000
Paid equity dividends on ordinary shares	**–**	–
Proposed final dividend subject to shareholder approval	**–**	–

10 PARENT COMPANY TRANSFER TO RESERVES

The loss dealt with in the accounts of the parent company was £1,442,000 (2015: loss of £886,000).

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.

	2016 £000	2015 £000
(Loss)/earnings for basic earnings per share	**(261)**	16
Exceptional costs	**463**	417
Net financing costs and administration cost on pension obligations	**372**	280
Share based payment charge	**53**	30
Taxation effect of the above	**(177)**	(153)
Earnings for underlying earnings per share	**450**	590

	2016 Number	2015 Number
Weighted average number of ordinary shares	**7,958**	7,958
Adjustment to reflect shares under options	**160**	212
Weighted average number of ordinary shares – fully diluted	**8,118**	8,170

As at 31 March 2016 there is no adjustment for the 160,300 shares under option as they are required to be excluded from the weighted average number of shares for diluted loss per share as they are anti-dilutive for the period then ended.

12 EXCEPTIONAL COSTS AND NON-UNDERLYING

	2016 £000	2015 £000
Group reorganisation	**463**	314
Environmental clean up	**–**	103
Exceptional costs	**463**	417
Share based payment charge	**53**	30
Defined benefit pension scheme administration costs	**230**	136
Non-underlying other operating expenses	**746**	583
Taxation		
– tax effect of exceptional and non-underlying costs	**(149)**	(122)
	597	461

During 2015 and continuing into 2016 the Group continued to rationalise its operations given the reduced levels of turnover seen in the Leicester and Scunthorpe foundries. Group reorganisation costs, including redundancy and recruitment, relate to this rationalisation.

Environmental cleanup costs relate to exceptional costs incurred in the cleanup of the Scunthorpe site.

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 2014	5,638	27,954	572	34,164
Additions	297	964	–	1,261
Disposals	(34)	(9,416)	(419)	(9,869)
At 31 March 2015	5,901	19,502	153	25,556
Additions	198	1,270	–	1,468
Disposals	–	(79)	(64)	(143)
At 31 March 2016	**6,099**	**20,693**	**89**	**26,881**
Depreciation				
At 1 April 2014	2,058	23,750	449	26,257
Charge for year	153	968	59	1,180
Disposals	(34)	(9,357)	(390)	(9,781)
At 31 March 2015	2,177	15,361	118	17,656
Charge for year	202	1,023	10	1,235
Disposals	–	(71)	(51)	(122)
At 31 March 2016	**2,379**	**16,313**	**77**	**18,769**
Net book value				
At 31 March 2016	**3,720**	**4,380**	**12**	**8,112**
At 31 March 2015	3,724	4,141	35	7,900
At 1 April 2014	3,580	4,204	123	7,907

Included within plant and machinery is £261,000 (2015: £134,000) relating to assets under the course of construction which is not depreciated.

Net book value of land and buildings comprises:

	2016 £000	2015 £000
Freehold	**3,530**	3,489
Short leasehold (leasehold improvements)	**190**	235
	3,720	3,724

13 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2014	1,670	112	84	1,866
Additions	–	4	–	4
Disposals	–	(10)	(41)	(51)
At 31 March 2015	1,670	106	43	1,819
Additions	–	–	–	–
Disposals	–	–	(16)	(16)
At 31 March 2016	**1,670**	**106**	**27**	**1,803**
Depreciation				
At 1 April 2014	815	55	43	913
Charge for year	28	13	7	48
Disposals	–	(10)	(30)	(40)
At 31 March 2015	843	58	20	921
Charge for year	27	12	7	46
Disposals	–	–	(12)	(12)
At 31 March 2016	**870**	**70**	**15**	**955**
Net book value				
At 31 March 2016	**800**	**36**	**12**	**848**
At 31 March 2015	827	48	23	898
At 1 April 2014	855	57	41	953

Freehold land included above not subject to depreciation amounted to:

	Group £000	Company £000
2016	**743**	**743**
2015	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 to profitability in 2016/17 and a full realisation of cost saving programmes that require a certain gestation period to fully mature. The key sensitivities 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 13%.

It was concluded for both Chamberlin & Hill Castings Limited (Leicester) and Russell Ductile Castings Limited that 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	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Software	**372**	438	**–**	–
Development costs	**15**	14	**–**	–
	387	452	**–**	–

Software	Group £000	Company £000
Cost		
At 1 April 2014	1,139	22
Additions	120	–
Disposals	(269)	
At 31 March 2015	990	22
Additions	31	–
At 31 March 2016	**1,021**	**22**
Amortisation/impairment		
At 1 April 2014	716	21
Charge for the year	105	1
Disposals	(269)	–
At 31 March 2015	552	22
Charge for year	97	–
At 31 March 2016	**649**	**22**
Net Book Value		
At 31 March 2016	**372**	**–**
At 31 March 2015	438	–
At 1 April 2014	423	1

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

Section 3
Operating Assets and Liabilities CONTINUED

14 INTANGIBLE ASSETS CONTINUED

Development costs capitalised	Group £000	Company £000
Cost		
At 1 April 2014	514	–
Disposals	(259)	–
At 31 March 2015	255	–
Additions	12	–
At 31 March 2016	**267**	**–**
Amortisation/impairment		
At 1 April 2014	481	–
Charge for year	8	–
Disposal	(248)	–
At 31 March 2015	241	–
Charge for year	11	–
At 31 March 2016	**252**	**–**
Net Book Value		
At 31 March 2016	**15**	**–**
At 31 March 2015	14	–
At 1 April 2014	33	–

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.

15 INVENTORIES

	Group		**Company**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Raw materials	**905**	1,269	**–**	–
Work in progress	**992**	1,343	**–**	–
Finished goods	**1,002**	1,394	**–**	–
	2,899	4,006	**–**	–

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade receivables	**5,636**	6,766	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**86**	90
Other receivables	**279**	327	**118**	143
Prepayments	**280**	433	**18**	65
Fair value of derivative forward contracts	**–**	283	**–**	–
	6,195	7,809	**222**	298

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 2016 of £5,636,000 (2015: £6,766,000) of which an invoice finance liability of £2,582,000 (2015: £2,901,000) was secured against. The total available invoice finance facility as at 31 March 2016 was £7,000,000 (2015: £6,000,000).

During the previous year the Company wrote off an intercompany loan to a subsidiary company for £2,159,000.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Sterling	**3,939**	5,149	**–**	–
Euro	**1,582**	1,471	**–**	–
US Dollar	**115**	146	**–**	–
	5,636	6,766	**–**	–

Out of the carrying amount of trade receivables of £5,636,000 (2015: £6,766,000), £1,876,000 (2015: £1,938,000) 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 2016 trade receivables at a nominal value of £16,000 (2015: £2,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
At 1 April	**2**	134	**–**	–
Charge for year	**47**	2	**–**	–
Amounts written off	**(33)**	(134)	**–**	–
At 31 March	**16**	2	**–**	–

16 TRADE AND OTHER RECEIVABLES CONTINUED

As at 31 March 2016, 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
2016	**5,636**	**5,367**	**249**	**19**	**1**	**–**	**–**
2015	6,766	6,406	329	7	24	–	–

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

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Debtors where external credit ratings have been sought	**5,544**	6,193	**–**	–
Debtors where internal credit assessments have been made	**92**	573	**–**	–
	5,636	6,766	**–**	–

Of the balance in respect of counterparties with internal ratings 7% (2015: 2%) is in respect of new customers, and 93% (2015: 98%) existing customers with no history of defaults.

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

	Group		Company	
Income taxes receivable	**2016 £000**	2015 £000	**2016 £000**	2015 £000
UK corporation tax	**–**	1	**101**	92

17 CURRENT LIABILITIES

	Group		Company	
Financial liabilities	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Bank overdraft	**126**	291	**619**	–
Current instalments due on asset finance loans	**200**	200	**–**	–
Invoice finance facility	**2,582**	2,901	**–**	–
Current instalments due on finance leases	**33**	–	**–**	
	2,941	3,392	**619**	–

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 March 2017. The net overdraft position as at 31 March 2016 was £126,000 (2015: £291,000), this comprises cash balances of £1,478,000 (2015: £1,281,000) and bank overdrafts of £1,604,000 (2015: £1,572,000). Interest is payable at 2.0% (2015: 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 two years to March 2018. Interest is payable at 3.25% over base rate.

Other finance leases are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a period of three years to March 2019. Interest is payable at a fixed amount that ranges between 3.1% and 4.6%.

Invoice finance balances are secured against the trade receivables of the Group and are repayable on demand. Interest is payable at 2.3% over base rate. The maximum facility as at 31 March 2016 was £7,000,000 (2015: £6,000,000). 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 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	**3,417**	4,368	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**–**	8
Other taxation and social security	**513**	575	**33**	31
Other payables	**63**	140	**6**	3
Accruals	**1,315**	1,718	**582**	677
Fair value of derivative forward contracts	**419**	–	**–**	–
	5,727	6,801	**621**	719

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 on demand by agreement with the parent company.

Provisions	Group Legal £000	Group Total £000
As at 31 March 2014	26	26
Utilised in the year	(26)	(26)
As at 31 March 2015 and March 2016	**–**	**–**

18 NON-CURRENT LIABILITIES

Financial liabilities	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Instalments due on asset finance loans	**200**	400	**–**	–
Instalments due on finance leases	**51**	–	**–**	–
	251	400	**–**	–

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 two years to March 2018. £200,000 is repayable within year 1-2 . Interest is payable at 3.25% over base rate.

Other finance leases are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a period of three years to March 2019. £33,000 is repayable in 1-2 years and £18,000 within 2-5 years. Interest is payable at a fixed amount that ranges between 3.1% and 4.6%.

Provisions for liabilities	Dilapidations £000	Total £000
As at 31 March 2014	–	–
New provision	200	200
As at 31 March 2015	200	200
Charge for the year	–	–
As at 31 March 2016	**200**	**200**

Section 3
Operating Assets and Liabilities CONTINUED

18 NON-CURRENT LIABILITIES CONTINUED

Dilapidations

The dilapidation provision relates to expected future lease dilapidations at the Petrel premises.

Deferred tax liabilities	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Deferred taxation	**59**	104	**–**	–

Group liabilities	2016 £000	2015 £000
Temporary differences relating to cash flow hedges	**–**	38
Capital gains rolled over	**59**	66
	59	104

Deferred tax assets	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Temporary differences relating to capital allowances	**249**	234	**11**	5
Temporary differences relating to pension scheme deficit	**845**	909	**845**	909
Temporary differences relating to share options	**1**	14	**1**	14
Temporary differences relating to tax losses	**163**	192	**–**	–
Other temporary differences	**112**	33	**36**	31
	1,370	1,382	**893**	959

A deferred tax asset is recognised in respect of tax losses carried forward only to the extent that there is a reasonable expectation that the losses will be recoverable within the foreseeable future. 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 (2015: £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 2028, based on the April 2013 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 2028. 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 £33,000 (2015: £182,000), a charge of £25,000 (2015: charge of £60,000) was recognised within the consolidated income statement, a credit of £72,000 (2015: credit of £236,000) was recognised within other comprehensive income and a charge of £14,000 (2015: credit of £6,000) recognised within the consolidated statement of changes in equity.

Section 4
Capital Structure

19 SHARE CAPITAL

Allotted, called up and fully paid	2016 £000	2015 £000
7,958,126 (2015: 7,958,126) Ordinary shares of 25p	**1,990**	1,990

During the year no shares (2015: none) were issued to directors to satisfy share options at nil (2015: nil) cost.

During the year no share options lapsed (2015: none), none were granted (2015: 600,000) and none (2015: none) 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 14 to 15.

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 2014	830,255	70.2	5.1
Granted	600,000	97.7	9.3
At 31 March 2015	1,430,255	81.7	6.3
Granted	–	–	–
At 31 March 2016	**1,430,255**	**81.7**	**5.3**

525,865 (2015: 525,865) shares were exercisable at the end of the year.

No shares were exercised during the current or prior year.

Based on the following assumptions at 31 March 2016, the total fair value of options was £238,000 (2015: £238,000), of which £53,000 was charged to the consolidated income statement (2015: charge of £30,000). The fair value of options granted in the year was £nil (2015: £137,000). The exercise price of options as at 31 March 2016 is a range between 52.8p and 100.2p (2015: 52.8p and 100.2p).

The mid-market price of the shares at 31 March 2016 was 66p (2015: 79.5p) and during the year ranged between 64p and 84.5p (2015: between 72.5p and 109p).

Section 4
Capital Structure CONTINUED

21 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings	£000
Cost at 1 April 2015 and 1 April 2016	**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

Wholly owned dormant subsidiaries

Chamberlin Group Ltd
Chamberlin & Hill Ltd
Chamberlin Foundry Ltd
Chamberlin & Hill Leicester Ltd
Ductile Castings Ltd
Fred Duncombe Ltd
Fitter & Poulton Ltd
Webb Lloyd Ltd

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 in the UK, 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 2016 was £230,000 (2015: £136,000) plus £142,000 of financing cost (2015: £144,000).

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 £331,000 (2015: £312,000). 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 2016	At 31 March 2015	At 31 March 2014
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase of pensions in payment – post 1997 accrual only	**2.9%**	2.9%	3.2%
Discount rate	**3.5%**	3.2%	4.3%
Inflation assumption – RPI	**2.9%**	2.9%	3.3%
Inflation assumption – CPI	**2.1%**	1.8%	2.2%

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.

		2016 Years	2015 Years
Current pensioners at 65	– male	**21.4**	21.3
	– female	**23.7**	23.6
Future pensioners at 65	– male	**22.4**	22.3
	– female	**24.8**	24.8

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).

The contributions expected to be paid during the year to 31 March 2017 are £255,000. Apart from this amount there are no other minimum funding requirements.

During the previous year the triennial valuation as at 1 April 2013 was concluded. In return for maintaining the previous contribution arrangements and extending the deficit reduction period to 2028, the Company has given security over the Group's land and buildings to the pension scheme. With effect from 1 April 2016 deficit reduction contributions will increase to £21,252 per month (previously £20,633 per month), with a 3% annual increase thereafter.

22 PENSION ARRANGEMENTS CONTINUED

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

	2016 £000	2015 £000
Equities/diversified growth fund	**11,719**	12,451
Bonds	**1,123**	1,417
Insured pensioner assets	**9**	9
Cash	**123**	131
Market value of assets	**12,974**	14,008
Actuarial value of liability	**(17,666)**	(18,552)
Scheme deficit	**(4,692)**	(4,544)
Related deferred tax asset	**845**	909
Net pension liability	**(3,847)**	(3,635)

Due to the nature of the investments held, the scheme is subject to normal market risks that effect the world's stock markets, and in particular the UK market.

Net benefit expense recognised in profit and loss	**Year to 31 March 2016 £000**	Year to 31 March 2015 £000
Administration costs	**–**	(32)
Net interest cost	**(142)**	(144)
Net benefit expense	**(142)**	(176)

Re-measurement losses/(gains) in other comprehensive income	**Year to 31 March 2016 £000**	Year to 31 March 2015 £000
Actuarial (gains)/losses arising from changes in financial assumptions	**(575)**	2,196
Actuarial losses arising from changes in demographic assumptions	**–**	–
Experience adjustments	**(5)**	208
Return on assets (excluding interest income)	**834**	(1,254)
Total re-measurement of the net defined liability/(asset) shown in other comprehensive Income	**254**	1,150

	Year to 31 March 2016 £000	Year to 31 March 2015 £000
Actual return on plan assets	**(396)**	1,762

Movement in deficit during the year	Year to 31 March 2016 £000	Year to 31 March 2015 £000
Deficit in scheme at beginning of year	**(4,544)**	(3,493)
Movement in year:		
Employer contributions	**248**	275
Net benefit expense	**(142)**	(176)
Actuarial (loss)/gain	**(254)**	(1,150)
Deficit in scheme at end of year	**(4,692)**	(4,544)

Movement in scheme assets	Year to 31 March 2016 £000	Year to 31 March 2015 £000
Fair value at beginning of year	**14,008**	12,856
Interest income on scheme assets	**438**	540
Return on assets (excluding interest income)	**(834)**	1,254
Employer contributions	**248**	275
Benefits paid	**(886)**	(885)
Administrative costs	**–**	(32)
Fair value at end of year	**12,974**	14,008

Movement in scheme liabilities	Year to 31 March 2016 £000	Year to 31 March 2015 £000
Benefit obligation at start of year	**18,552**	16,349
Interest cost	**580**	684
Actuarial (gains)/losses arising from changes in financial assumptions	**(575)**	2,196
Actuarial losses arising from changes in demographic assumptions	**–**	–
Experience adjustments	**(5)**	208
Benefits paid	**(886)**	(885)
Benefit obligation at end of year	**17,666**	18,552

The weighted average duration of the pension scheme liabilities is 14.5 years (2015: 14.5 years).

A quantitative sensitivity analysis for significant assumptions as at 31 March 2015 is as shown below:

Present value of scheme liabilities when changing the following assumptions	Year to 31 March 2016 £000
Discount rate increased by 1% p.a.	**15,575**
RPI and CPI increased by 1% p.a.	**18,538**
Mortality – members assumed to be their actual age as opposed to 1 year older	**18,320**

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 2016 amounted to £4,051,000 (2015: £4,639,000).

24 FINANCIAL COMMITMENTS

	Group		Company	
Capital expenditure	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Contracted for but not provided in the accounts	**1,447**	–	**–**	–

Capital commitments relate to machinery purchases required for fulfilment of the Group's contracts to supply fully machined bearing houses from the Walsall foundry.

Lease commitments

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

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Future minimum payments due:				
Not later than one year	**523**	494	**70**	77
After one year but not more than five years	**699**	1,088	**78**	139
After five years	**–**	–	**–**	–
	1,222	1,582	**148**	216

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 (£91,000 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. No early termination is permitted on the lease on Petrel's premises.

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 25% 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 £170,000 (2015: £375,000). 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 2016, 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 £362,000 (2015: £179,000).

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. This situation has not occurred during the current or previous year.

	Contracted amount €000	Weighted average contract rate	Contracted amount £000	Contracted amount at year end rate £000	Unrealised gain/(loss) £000
At 31 March 2016	**10,045**	**1.3219**	**7,599**	**7,956**	**(357)**
At 31 March 2015	4,775	1.2699	3,760	3,460	300

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 £16,000 reduction in profit before tax (2015: £19,000). An equivalent decrease in rates would increase profit before tax by £16,000 (2015: £19,000).

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

	Group		Company	
Financial liabilities	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Bank overdraft (Sterling denominated)	**440**	291	**(619)**	847
Bank overdraft (Euro denominated)	**(566)**	(582)	**–**	–
Invoice finance (Sterling denominated)	**(1,763)**	(1,820)	**–**	–
Invoice finance (Euro denominated)	**(819)**	(985)	**–**	–
Invoice finance (US Dollar denominated)	**–**	(96)	**–**	–
Asset finance loans (Sterling denominated)	**(400)**	(600)	**–**	–
Finance leases (Sterling denominated)	**(84)**	–	**–**	–
	(3,192)	(3,792)	**(619)**	847

Section 5
Other Supporting Notes CONTINUED

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 £47,000 (2015: £2,000).

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 March 2016. The Group's £7.0m invoice finance facility is renewable in March 2017. The Group is also financed by a £400,000 loan repayable over two years as discussed in the consolidated balance sheet commentary on page 27.

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 2016, its fair value is considered to be the same as the book value of £400,000.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2016 and 31 March 2015.

Non-derivative financial liabilities	On demand	Less than one year	1 to 2 years	2 to 5 years	Total
At 31 March 2016					
Bank overdraft	126	–	–	–	126
Invoice finance	2,582	–	–	–	2,582
Asset loans, including interest	–	211	205	–	416
Finance leases, including interest	–	35	34	19	88
Trade payables	–	3,417	–	–	3,417
	2,708	**3,663**	**239**	**19**	**6,629**
At 31 March 2015					
Bank overdraft	291	–	–	–	291
Invoice finance	2,901	–	–	–	2,901
Asset loans, including interest	–	222	215	208	645
Trade payables	–	4,368	–	–	4,368
	3,192	4,590	215	208	8,205

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 2016					
Foreign Exchange forward contracts	–	6,471	1,485	–	7,956
	–	**6,471**	**1,485**	**–**	**7,956**

The outflows above relate to the settlement of the derivative contracts which are a fair value asset at the year end as disclosed in note 16.

	On demand	Less than one year	1 to 2 years	2 to 5 years	Total
At 31 March 2015					
Foreign Exchange forward contracts	–	3,460	–	–	3,460
	–	3,460	–	–	3,460

The Company's financial liabilities comprise the bank overdraft of £619,000 (2015: £nil) and is payable on demand.

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £5,093,000 (2015: £6,109,000). 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 27.

Section 5
Other Supporting Notes CONTINUED

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.

	Group		Company	
Compensation of key management personnel (including directors)	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Short term employee benefits (including employer's NI)	**1,485**	1,542	**634**	720
Termination costs (including employer's NI)	**58**	–	**–**	–
Share based payments	**53**	30	**53**	30
Pension contributions	**63**	55	**34**	33
	1,659	1,627	**721**	783

Key management, other than directors of the Company, comprise the Managing/Operations 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.

Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group has power over the investee, has the right to variable returns from the investee and has the power to affects its returns. The Group obtains and exercises control through voting rights and control is reassessed if there are indications that the status of any of the three elements have changed.

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 3 to 8. 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 £7.0m invoice discounting facility renewable in March 2017 (no indication that this won't be renewed in March 2017), £0.5m overdraft renewable in March 2017 (the Group is not reliant on this renewal) and a £0.4m loan repayable over two 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-trading, 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.

27 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Business Combinations prior to 1 April 2010

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

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

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

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

Property, plant and equipment

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

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

Freehold buildings and long leasehold property – over expected useful life (not exceeding 50 years)

Short leasehold property – over the term of the lease

Plant and other equipment – 2 to 10 years

Motor vehicles – 4 years

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

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

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

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the 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, less impairment, 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 or weighted average cost 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.

27 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 2016 the Group held 18 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.

Section 5
Other Supporting Notes CONTINUED

27 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Black Scholes model. Cash-settled share based payments are measured at fair value at the balance sheet date using a Black Scholes 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.

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-trading related, 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 in the current year include share based payment costs, administration costs of the pension scheme and net financing costs of pension obligations, reorganisation costs, environmental cleanup costs and associated tax impact on these items.

Non-underlying items in the previous year include share based payment costs, administration costs of the pension scheme and net financing costs of pension obligations, reorganisation costs, costs associated with the resignation of the former Chief Executive 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.
- Restructuring provisions – the Group makes provision for restructuring costs, based on management's best estimate of the costs of implementing such a restructuring, once a formal plan has been agreed.
- 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 2028. 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 2016 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated statement of comprehensive income, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes. 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.

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 Directors' Responsibilities Statement set out on page 18, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 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.

DAVID WHITE
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

23 May 2016

Parent Company Balance Sheet

AT 31 MARCH 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	13	**848**	898
Intangible assets	14	**–**	–
Investments	21	**8,159**	8,159
Deferred tax asset	18	**893**	959
		9,900	10,016
Current assets			
Financial assets		**–**	847
Trade and other receivables	16	**136**	208
Income taxes receivable	16	**101**	92
Amounts due from subsidiary undertakings	16	**86**	90
		323	1,237
Total assets		**10,223**	11,253
Current liabilities			
Financial liabilities	17	**619**	–
Trade and other payables	17	**621**	711
Amounts due to subsidiary undertakings	17	**–**	8
		1,240	719
Non-current liabilities			
Defined benefit pension scheme deficit	22	**4,692**	4,544
		4,692	4,544
Total liabilities		**5,932**	5,263
Capital and reserves			
Share capital	19	**1,990**	1,990
Share premium		**1,269**	1,269
Capital redemption reserve		**109**	109
Retained earnings		**923**	2,622
Total equity		**4,291**	5,990
Total equity and liabilities		**10,223**	11,253

KEVIN NOLAN
DAVID ROBERTS
Directors

The accounts were approved by the Board of Directors on 23 May 2016

Parent Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Operating activities			
Loss for the year before tax		**(1,529)**	(1,120)
Adjustments to reconcile loss for the year to net cash (outflow)/inflow from operating activities:			
Net finance costs excluding pensions		**43**	39
Investment income		**–**	(2,650)
Dividends received		**–**	2,650
Depreciation of property, plant and equipment	13	**46**	48
Amortisation of software	14	**–**	1
Profit on disposal of property, plant and equipment		**(2)**	(4)
Share based payments	20	**53**	30
Difference between pension contributions paid and amounts recognised in the Income Statement		**(106)**	(99)
Decrease in receivables		**164**	2,176
(Decrease)/increase in payables		**(98)**	174
Net cash (outflow)/inflow from operating activities		**(1,429)**	1,245
Investing activities			
Purchase of property, plant and equipment	13	**–**	(4)
Disposal of plant and equipment		**6**	14
Repayment of intercompany loans		**–**	–
Net cash inflow from investing activities		**6**	10
Financing activities			
Interest paid		**(43)**	(39)
Net cash outflow from financing activities		**(43)**	(39)
Net increase in cash and cash equivalents		**(1,466)**	1,216
Cash and cash equivalents at the start of the year		**847**	(369)
Cash and cash equivalents at the end of the year		**(619)**	847
Cash and cash equivalents comprise:			
(Bank overdraft)/cash in hand		**(619)**	847
		(619)	847

Parent Company Statement of Changes in Equity

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Attributable to equity holders of the parent £000
Balance at 1 April 2014	1,990	1,269	109	4,380	7,748
Loss for the year	–	–	–	(886)	(886)
Other comprehensive income for the year net of tax	–	–	–	(908)	(908)
Total comprehensive income	–	–	–	(1,794)	(1,794)
Share based payment	–	–	–	30	30
Deferred tax on employee share options	–	–	–	6	6
Total of transactions with shareholders	–	–	–	36	36
Balance at 1 April 2015	1,990	1,269	109	2,622	5,990
Loss for the year	–	–	–	(1,442)	(1,442)
Other comprehensive income for the year net of tax	–	–	–	(296)	(296)
Total comprehensive income	–	–	–	(1,738)	(1,738)
Share based payment	–	–	–	53	53
Deferred tax on employee share options	–	–	–	(14)	(14)
Total of transactions with shareholders	–	–	–	39	39
Balance at 31 March 2016	**1,990**	**1,269**	**109**	**923**	**4,291**

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.

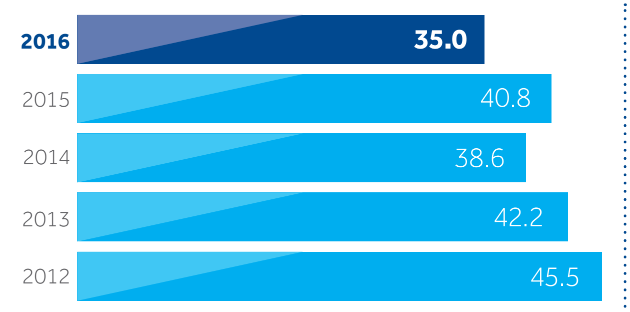
RETAINED EARNINGS

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.

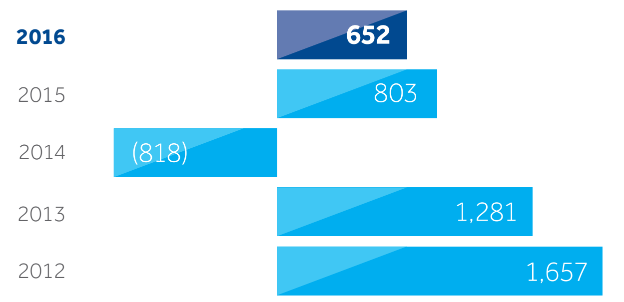
Five Year Financial Summary

Financial Highlights	**31 March 2016 £000**	31 March 2015 £000	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000
Revenue	**35.0**	40.8	38.6	42.2	45.5
Underlying profit before tax	**652**	803	(818)	1,281	1,657
Statutory profit before tax	**(236)**	76	(2,116)	799	1,430
Underlying diluted earnings per share	**5.5**	7.2	(7.6)	14	16.5
Dividend per share	**0.0**	0.0	0.0	3.3	3.0
Cash generated from operations	**2,256**	1,320	(1,497)	2,260	2,430

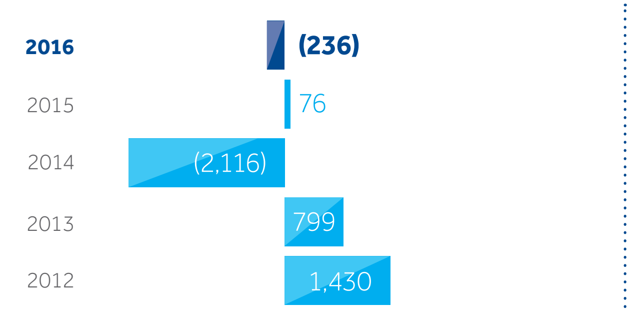
REVENUE (£m)



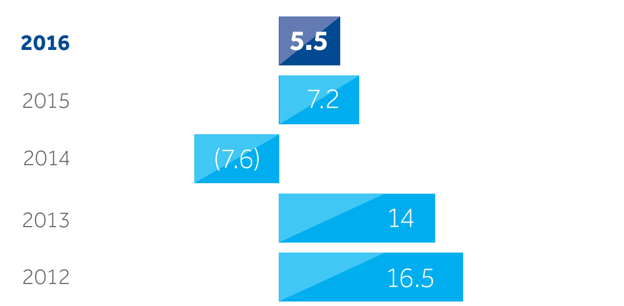
UNDERLYING PROFIT BEFORE TAX (£000)



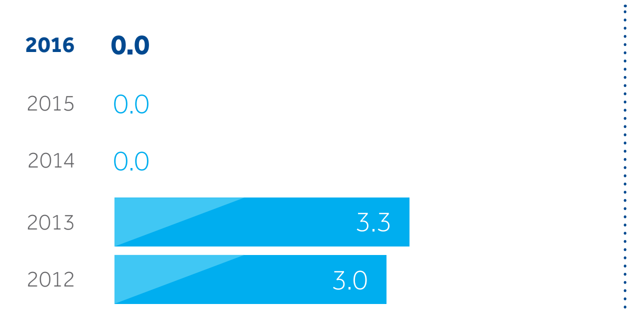
STATUTORY PROFIT BEFORE TAX (£000)



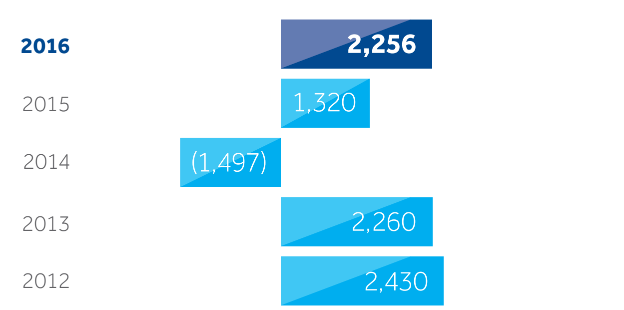
UNDERLYING DILUTED EARNINGS PER SHARE (p)



DIVIDEND PER SHARE (p)



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 p.m. on 20 July 2016; or,
- If this Meeting is adjourned, at 2.00 p.m. 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 Friday 22 July 2016 at the Registered Office, Chuckery Road, Walsall, WS1 2DU 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 2016 (Resolution 1).
2. To re-elect as a Director Keith Butler-Wheelhouse (Resolution 2).
3. To re-elect as a Director Kevin Nolan (Resolution 3).
4. To re-elect as a Director David Roberts (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 2016 (Resolution 7).
8. To reappoint Grant Thornton UK 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 2017, 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).

Notice of Annual General Meeting

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 2017, 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 2017, 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
23 May 2016

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, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, not later than 2.00 p.m. on 20 July 2016 (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 10 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 16 to 19.

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	Grant Thornton UK LLP Birmingham
SOLICITORS	DLA Piper Birmingham
STOCKBROKERS	Panmure Gordon (UK) Limited London
BANKERS	HSBC Bank plc Birmingham
REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

Chamberlin & Hill Castings Ltd

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

Chamberlin & Hill Castings Ltd
Chuckery Road
Walsall, WS1 2DU

Tel: 01922 721411
Fax: 01922 614610

www.chcastings.co.uk

Chamberlin & Hill Leicester Ltd

Mid-size iron castings with moderately complex internal shapes for demanding technical, strength and wear resistance requirements.

Chamberlin & Hill Leicester Ltd
Bonchurch Street
Leicester, LE3 5EP

Tel: 0116 299 2000
Fax: 0116 299 8844

www.chcastings.co.uk

EXIDOR

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

Exidor Ltd
Progress Drive
Cannock, WS11 0JE

Tel: 01543 570050
Fax: 01543 573534

www.exidor.co.uk

Petrel
Hazardous Area Equipment

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

Petrel Ltd
22 Fortnum Close
Kitts Green
Birmingham, B33 0LB

Tel: 0121 783 7161
Fax: 0121 783 5717

www.petrel-ex.co.uk

Russell Ductile Castings

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

Russell Ductile Castings Ltd
Trent Foundry
Dawes Lane
Scunthorpe, DN15 6UW

Tel: 01724 862152
Fax: 01724 280461

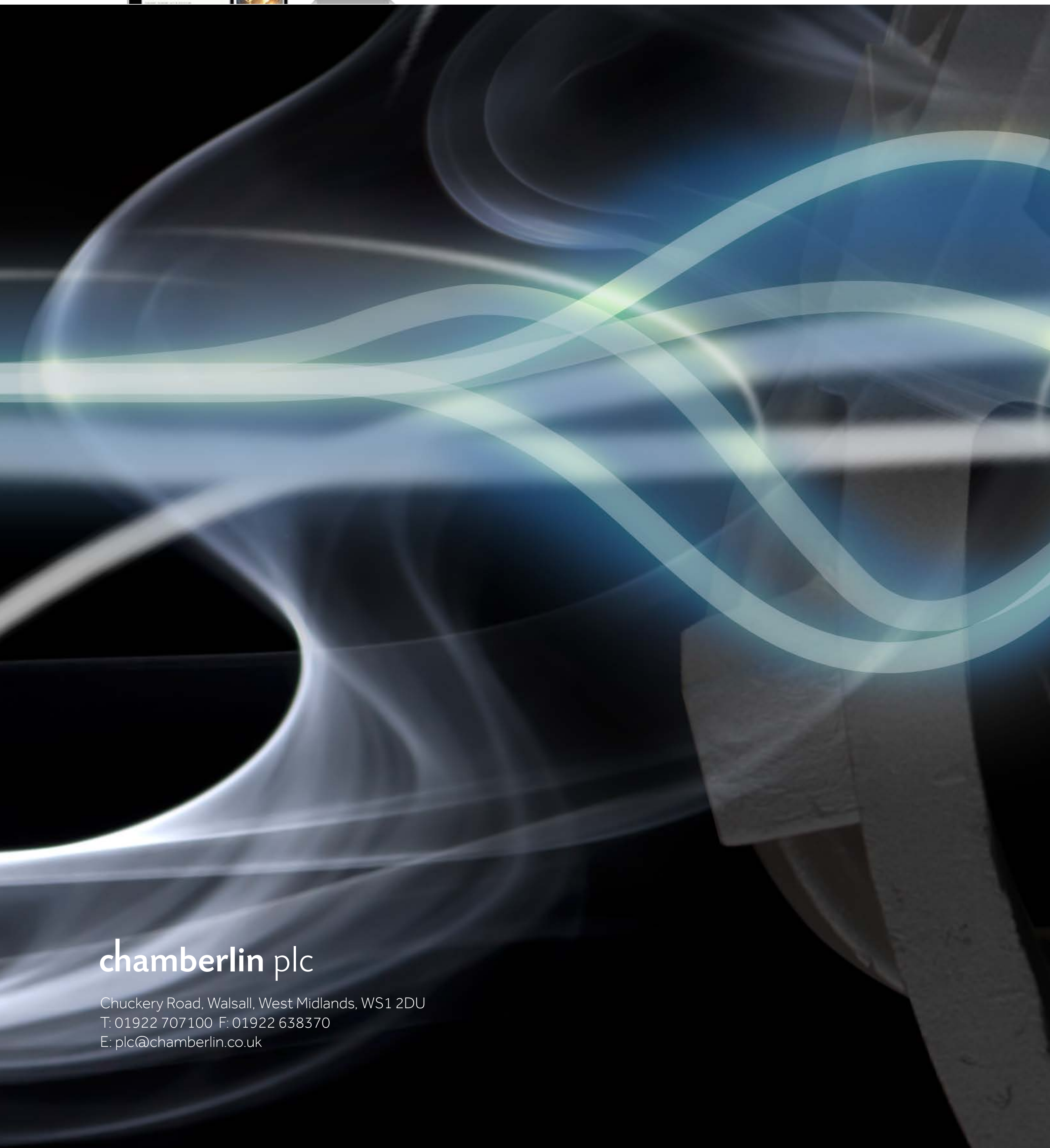
www.russellcastings.co.uk

Jonesandpalmer
we think. we design. we publish.
www.jonesandpalmer.co.uk

Visit us online

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

www.chamberlin.co.uk



chamberlin plc

Chuckery Road, Walsall, West Midlands, WS1 2DU
T: 01922 707100 F: 01922 638370
E: plc@chamberlin.co.uk