



chamberlin plc

**DIFFICULT
THINGS
DONE
WELL**

**ANNUAL REPORT
AND ACCOUNTS**

for the year ended 31 March 2018

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 – 59% of sales are exported
- Growth opportunity in the turbocharger castings market benefiting from regulatory drivers
- Strong, credible management team with a proven track record
- Focused UK manufacturing in niche markets



Visit us online

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

www.chamberlin.co.uk


Chairman, Keith Butler-Wheelhouse, commented:

"While the year has delivered on our revenue expectations, margins have suffered due to the difficulties we have encountered in the start-up of our new machining facility, and ramp up of our main foundry to meet unexpected demand.

The technical issues at the company's new machining facility continue to improve. New products for machining are also being introduced.

The Group remains well placed for further progress over the new financial year as cost efficiencies are realised."

REVENUE
£37.7m

UNDERLYING PROFIT BEFORE TAX
£(21)k

STATUTORY PROFIT BEFORE TAX
(£0.5m)

UNDERLYING DILUTED EARNINGS PER SHARE
(5.6)p

CASH GENERATED FROM OPERATIONS
£1.3m


Highlights

- Very encouraging revenue growth, which should continue into new financial year and beyond
- Revenues up 17% to £37.7m (2017: £32.1m)
- Gross margin decreased to 18.2% (2017: 21.6%) – however H2 gross margin improved by 4.4 percentage points over H1 from 15.9% to 20.3%
- Underlying operating profit before tax* decreased to £0.4m (2017: £0.7m)
- IFRS diluted loss per share reduced to 10.2p (2017: loss per share of 12.2p)
- Capital expenditure of £3.0m (2017: £3.7m), included further investment in new machining facility
- Net debt of £8.9m at year end (2017: £6.8m), which reflected machining facility investment
- Foundry operations grew revenues by 24% to £26.4m
 - benefited from ramp up of new automotive contract, which commenced in H2 2017
- Engineering operations increased revenues by 5% to £11.3m
 - initiatives in place to drive export sales and margins
- Board is confident of delivering an improved operational performance in new financial year

* Underlying operating figures are stated before interest, 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.

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CHAIRMAN'S STATEMENT



KEITH BUTLER-WHEELHOUSE
CHAIRMAN

Introduction

While the year has delivered on our revenue expectations, the Group's results reflect the impact of the previously reported technical issues within our foundry activities, in particular with the new machining cells. The resulting operational inefficiencies meant that gross margins for the year reduced, from 21.6% in 2017 to 18.2%, and underlying operating profit decreased from £0.7m to £0.4m. As we made progress in resolving the technical issues, gross margins improved, recovering by 4.4 percentage points in the second half of the financial year (20.3%) over the first half (15.9%).

The Group's revenue performance demonstrates the wider picture of growth and development, with revenue up 17% year-on-year to £37.7m reflecting the strong position we have established in the automotive turbocharger sector. As we have previously highlighted, our investment in our new machining cells positions us as the only provider of fully machined, grey iron bearing housings in Europe. This stands us in very good stead to win additional turbocharger volumes, and opens up new long-term opportunities.

Our engineering businesses, Exidor and Petrel, also contributed to growth. Exidor increased revenues and we are implementing further initiatives to improve profitability. Petrel continued to expand its market share accessing new markets outside its core oil and gas customer base, helped by the ongoing development of its new LED product ranges.

Looking ahead over the new financial year, we are continuing to focus on improving margins across both our foundry and engineering operations. The automotive turbocharger sector remains a growth area and we expect production volumes from our existing contracts to increase over 2018. We therefore anticipate ongoing progress as the new financial year unfolds.

Results

Revenues for the year to 31 March 2018 increased by 17% to £37.7m (2017: £32.1m), with growth largely driven by the Walsall foundry and increased market share from our two engineering businesses. The new machining facility, which opened in early 2017, suffered from major technical problems and contributed revenues of £2.6m, and a maiden loss of £0.4m, net of compensation from our machine supplier.

Underlying operating profit before tax decreased to £0.4m (2017: £0.7m).

On an IFRS basis, after accounting for restructuring costs of £0.1m (2017: £0.1m), administration and costs of the closed pension scheme of £0.3m (2017: £0.4m), the Group generated a loss of £0.8m (2017: loss of £1.0m). Diluted loss per share was 10.2p (2017: loss per share of 12.2p).

The net debt position at 31 March 2018 was £8.8m (2017: £6.8m), reflecting the investment in the new machining facility.

Dividend

In line with the current dividend policy, the Directors are not proposing the payment of a dividend for the period under review (2017: nil).

The Board and Staff

There were two changes to the composition of the Board of Directors during the year. In December 2017, David Nicholas retired as a Non-executive Director and, in March 2018, we appointed David Flowerday. Formerly Strategy Director at Smiths Group PLC and a member of the Chartered Institute of Management Accountants, David Flowerday has significant relevant experience and has been appointed as Chairman of the Company's Remuneration Committee and a member of the Audit and Nomination Committees.

The Group is supported by committed and hard-working teams and, on behalf of the Board, I would like to thank all our staff for their efforts during the year. Their skills and energy will help to drive Chamberlin's performance and future growth.

Outlook

We believe that the Group is well positioned to deliver a further improvement in performance during the current financial year as we recover margins.

We look forward to reporting further progress at the Group's AGM on 24 July 2018.

KEITH BUTLER-WHEELHOUSE
CHAIRMAN

4 June 2018

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.

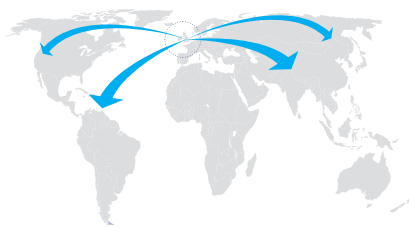
Work is allocated across its two foundry sites and one machining facility based on size and metallurgy as follows:

- Light Castings based in Walsall produce castings up to 5kg in grey iron;
- Heavy Castings based in Scunthorpe make 100kg and 6 tonne castings, again in a wide variety of iron grades.
- The machining centre, opened in 2017, supports the light castings made in Walsall.

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.



Direct exports account for 59% of output with our customers located in Europe, America and Asia. Global demand for engineered products is strong and our customers are typically leaders in their sectors.



UK Manufacturing

HEAD OFFICE

- 1 Walsall

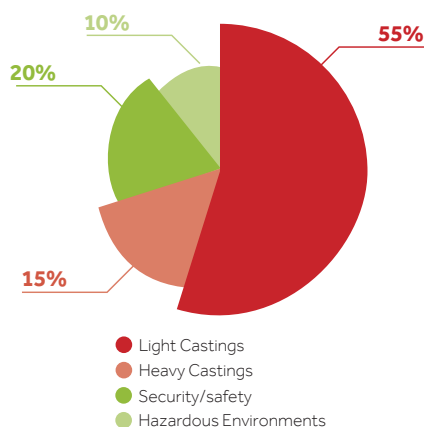
FOUNDRIES

- 2 Chamberlin & Hill Castings, Walsall
- 3 Chamberlin & Hill Castings, machining facility, Walsall
- 4 Russell Ductile Castings, Scunthorpe

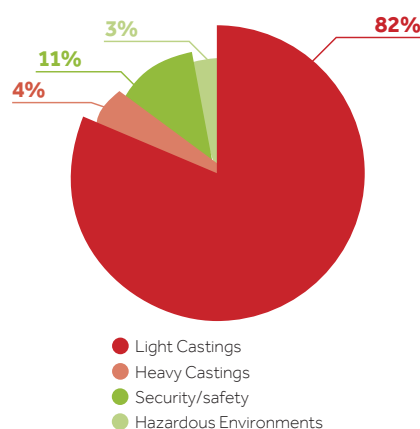
ENGINEERING

- 5 Exidor, Cannock
- 6 Petrel, Birmingham

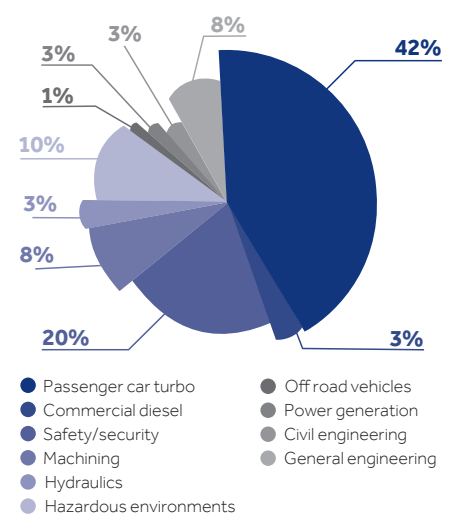
REVENUE BY BUSINESS



DIRECT EXPORTS



MARKETS SERVED



CHIEF EXECUTIVE'S REVIEW



KEVIN NOLAN CHIEF EXECUTIVE

The opening of our new machining operations in early 2017 was a strategically significant point for the Group and, while we experienced technical problems, which impacted results in the year under review, this investment will help to drive additional growth opportunities for our foundry activities. Both our engineering operations made encouraging progress although Petrel's traditional core market of oil and gas remains subdued. We remain focused on building export sales across both Petrel and Exidor.

Foundries

Foundry revenues increased by 24% year-on-year to £26.4m (2017: £21.3m). This included a first time contribution from the new machining facility of £2.6m, which started production in early 2018. However, reflecting the technical problems experienced across this segment particularly within machining, operating profit decreased to £0.5m (2017: £1.2m). This included a loss of £0.4m from the new machining facility, net of compensation from our machine supplier.

The Group now operates two foundries, at Walsall and Scunthorpe, each with a different specialisation.

Our foundry at Walsall is our flagship operation and drives the majority of the foundry division's sales. Walsall's expertise is in producing small castings, typically below 3kg in weight, that have complex internal geometry. The complex geometry is achieved through the use of innovative core design and 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 is a major driver of this market, with the requirement to reduce nitrogen dioxide emissions promoting the introduction of smaller, turbocharged petrol engines. Approximately 74% of Walsall's casting production is for petrol engines.

Walsall is one of only four specialist foundries in Europe with the technical capability of supplying castings for turbochargers and, with our new machining capability, the foundry is now the only fully integrated supplier of grey iron bearing housings in Europe.

The Scunthorpe foundry specialises in heavy castings weighing up to 6,000kg that 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, and the majority of customers are Original Equipment Manufacturers ("OEMs"). Demand at the foundry was in line with management expectations over the year and we continued to work to deepen and broaden customer relationships, and to focus on operational efficiency.

Engineering

Revenues from the engineering operations, comprising our Exidor and Petrel businesses, increased by 15% year-on-year to £11.3m (2017: £10.8m) and operating profit rose by 10% to £0.9m (2017: £0.8m).

Our Exidor business is the UK market leader in panic and emergency exit door hardware. Its products are for life-critical applications and it operates in a highly regulated market. Customers place great value on Exidor's heritage as a British designer and manufacturer that delivers high quality, certified products. We are re-engineering the product range to support our growth and continue to target overseas sales while maintaining Exidor's leading position in the UK. The business delivered good growth and we are implementing lean manufacturing initiatives, which will help to reduce costs and improve margins.

Petrel has a well-established reputation for designing and manufacturing high quality lighting and control equipment for use in hazardous or demanding environments. It supplies customers across the UK and Europe as well as internationally. Revenue growth over the year was very good and we are encouraged by the progress being made outside Petrel's traditional markets of oil & gas. The transition to LED lighting remains a key focus as well as developing the business's portable light fittings range. Approximately 46% of sales (2017: 31%) were generated from portable lighting and LED products over the year and this percentage should rise further. We have also expanded Petrel's commercial and technical resource to support ongoing growth.

Outlook

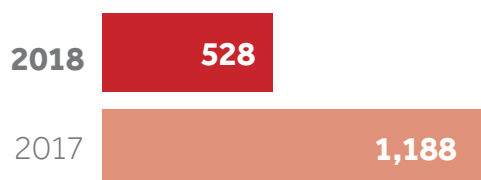
A major focus in the new financial year is on improving margins as well as driving revenue growth and we expect to make good progress in both areas.

PERFORMANCE REVIEW

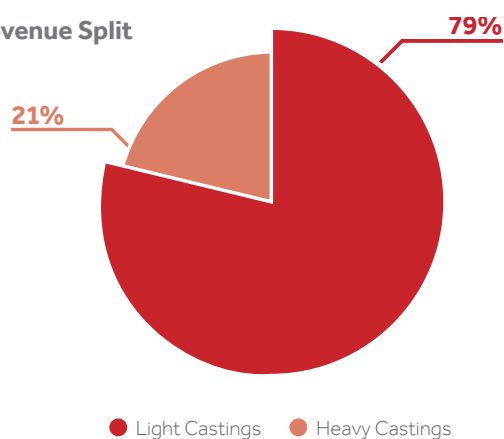
FOUNDRY OVERVIEW

OUR TWO FOUNDRY SITES CAST A RANGE OF PRODUCTS RANGING FROM 1KG UP TO 6,000KG AND DELIVER CASTINGS WITH COMPLEX GEOMETRY AND CHALLENGING METALLURGY.

Operating Profit



Revenue Split



● Light Castings ● Heavy Castings

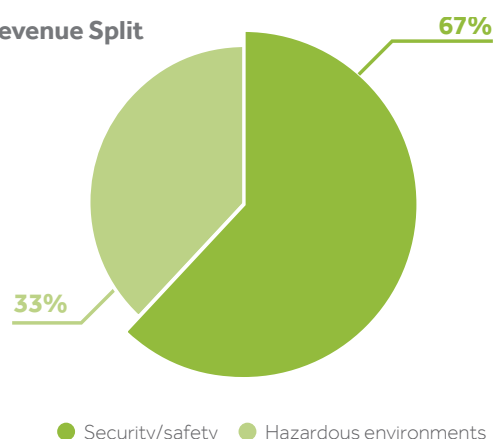
ENGINEERING OVERVIEW

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.

Operating Profit



Revenue Split



● Security/safety ● Hazardous environments

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:

KPI	DEFINITION	FOUNDRIES	ENGINEERING	GROUP Year ended 31 March 2018
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.	3.0 2018 3.0 2017 5.6	8.0 2018 8.0 2017 7.6	0.9 2018 0.9 2017 2.3
RETURN ON NET ASSETS (%)	The ratio of the segment's trading profit to the segment's net assets (as analysed in note 3).	4.1 2018 4.1 2017 10.1	24.8 2018 24.8 2017 23.6	11.3 2018 11.3 2017 19.2
SALES PER EMPLOYEE (£000)	The ratio of the segment's sales to the segment's average number of employees.	102.1 2018 102.1 2017 101.1	109.5 2018 109.5 2017 106.8	100.2 2018 100.2 2017 99.7
ACCIDENT FREQUENCY RATE	The number of accidents per 100,000 hours worked averaged for the full year.	15.8 2018 15.8 2017 6.8	4.9 2018 4.9 2017 5.1	12.3 2018 12.3 2017 6.3

The directors note that the KPIs reflect the trading conditions of the Group during the year. Current year KPIs exclude discontinued operations. Prior year KPIs have been restated to exclude discontinued operations.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Management throughout the Group uses a common model to identify and assess the impact of risks to their businesses. The Group's risk management process is described further in the corporate governance report on pages 10 to 12

Risk	Description of Risk & Potential Impact	Mitigation
Brexit/Foreign currency fluctuation	Approximately 50% of Group revenue is derived in Euros. Significant Brexit disruptions leading to exchange fluctuations could have a material impact on the financial performance of the Group.	Group sells Euros forward in order to provide an effective hedge. The Group continues to monitor and assess the potential post-Brexit trading relationships with EU member states.
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 regulatory 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 capital 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 04 to 07, together with the commentary on the primary statements on pages 23 to 29, has been approved by the board of Directors and signed on their behalf by:

KEVIN NOLAN
CHIEF EXECUTIVE
4 June 2018

GOVERNANCE

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THE BOARD

EXECUTIVE DIRECTORS



KEVIN NOLAN

Aged 61, 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 joined 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

Aged 49, 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

Aged 72, 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.



DAVID FLOWERDAY

Aged 65, David joined the Board in March 2018. He previously held positions of Strategy Director, Group Financial Controller, and Flex-tek Managing Director at Smiths Group plc. He currently is a strategy consultant and additionally is Chairman of Dartmouth Trust. David is Chairman of the Remuneration Committee and a member of both the Audit and Nominations Committee.



KEITH JACKSON

Aged 69, 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.



DAVID NICHOLAS

Aged 68, David was appointed a Director in July 2016 and resigned on 28 November 2017.

CORPORATE GOVERNANCE REPORT

Principles of good governance

The Group has set out its 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 David Flowerday (first appointed 26 March 2018) 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 24 July 2018 (see the Notice of Annual General Meeting on pages 80 to 82), 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 13 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 David Flowerday, 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 Group's 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.

CORPORATE GOVERNANCE REPORT CONTINUED

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

- Clear responsibilities on the part of line and financial management for good financial controls in the production of accurate and timely financial management information.
- The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties.
- Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows with regular reviews of variances from budgets by management and the Board.
- Reporting on compliance with internal financial controls and procedures by each individual business unit under the supervision of the Group Finance Director. 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	8	1	3	2
Keith Butler-Wheelhouse	8	1	3	2
Keith Jackson	8	1	3	2
David Flowerday*	–	–	–	–
David Nicholas**	6	–	3	2
Kevin Nolan	8	1	n/a	n/a
David Roberts	8	–	n/a	n/a

* appointed as a director on 26 March 2018

** resigned as a director on 28 November 2017

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

DAVID ROBERTS
CHIEF EXECUTIVE

4 June 2018

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

The Remuneration Committee comprises the three non-executive directors: David Flowerday (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 2018 the bonus in respect of Kevin Nolan and David Roberts was linked to the profit performance of the Group and the achievement of personal objectives. The maximum amount of bonus payable is 100% of their basic salary.

(c) Share options

An incentive to achieve longer-term improvements in shareholder value is afforded through a share option. The key features of the scheme are 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	
				2018 £000	2017 £000
Executive					
Kevin Nolan*	221	2	26	249	378
David Roberts	155	1	18	174	263
Non-Executive					
Keith Butler-Wheelhouse	75	—	—	75	75
Keith Jackson	30	—	—	30	30
David Nicholas**	20	—	—	20	21
David Flowerday***	—	—	—	—	—
Alan Howarth****	—	—	—	—	9
Total	501	3	44	548	776
Total 2017	504	3	266		776

* Highest paid director in 2018 and 2017.

** Resigned 28 November 2017

*** Appointed 26 March 2018

**** Resigned 22 July 2016

DIRECTORS' REMUNERATION REPORT CONTINUED

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 paid in the year following that in which they are earned. The emoluments of other key management personnel are disclosed in note 26.

Directors' pensions

No retirement benefits accrued during the year, or prior years, to directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2017: nil) which is a closed defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	Contribution paid 2018 £000	Contribution paid 2017 £000
K Nolan	10%	21	21
D Roberts	10%	15	14

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

Directors' options

	31 March 2017	Granted in year	Exercised in year	Lapsed or forfeited in year	31 March 2018	Option exercise price	Exercisable between
Kevin Nolan	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
	207,363	–	–	–	207,363	Nil p	14.12.19 – 14.12.2026
David Roberts	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
	142,637	–	–	–	142,637	Nil p	14.12.19 – 14.12.2026
	950,000	–	–	600,000	350,000		

A Share Option Plan ("SOP") has issued a third tranche of share options after the first two tranches lapsed in the year. The third tranche of share options are exercisable at nil p per share. The options will normally become exercisable on or after the third anniversary of the date of grant subject to the satisfaction of performance conditions set by the Remuneration Committee of the Company at time of granting. The proportion of awards that become exercisable varies on a straight line basis, from 20% 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 80p is required for 20% of the options to be exercisable, with a shareholder return of 120p necessary for 100% of options to be exercised. No tranche of options are exercisable if shareholder return is below this range.

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 2018 or 2017.

There have been no changes in the interests set out above between 1 April 2018 and 4 June 2018.

The mid-market price of the shares at 31 March 2018 was 63.5p and during the year ranged between 63.5p and 176.5p.

On behalf of the Board

DAVID FLOWERDAY

CHAIRMAN, REMUNERATION COMMITTEE

4 June 2018

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2018.

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 2018	Year to 31 March 2017
Foundries	261	230
Engineering	103	101
Head office*	12	12
Group	376	343

* 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 (2017: nil p). No interim dividend (2017: 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 13 to 15.

See Board of Directors on page 09 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 2018 Number of shares	At 31 March 2017 Number of shares
Keith Butler-Wheelhouse	120,127	120,127
Kevin Nolan	—	—
David Roberts	5,000	5,000
Keith Jackson	13,525	13,525
David Flowerday (appointed 26 March 2018)	—	—
David Nicholas (resigned 28 November 2017)	—	—

There have been no changes in the interests of the directors set out above between 1 April 2018 and 4 June 2018.

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 4 June 2018). 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 4 June 2018.

Authority to purchase own shares

At the Annual General Meeting in 2017, 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 4 June 2018.

The authority is sought by way of a special resolution, details of which are also included at item 11 in the notice of meeting. This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in earnings per share, and if it is in the best interests of the shareholders generally. Account will also be taken of the effect on gearing and the overall position of the Company.

Both authorities are to be for the period commencing on the date of passing of the resolution until the next Annual General Meeting. The proposed resolutions are set out as items 9 to 11 in the notice of meeting on pages 80 to 82.

DIRECTORS' REPORT CONTINUED

Substantial shareholders

At 4 June 2018 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	1,000,000	12.6
Miton Asset Management	990,471	12.5
Janus Henderson Investors	791,000	9.9
Thornbridge Investment Management	560,000	7.0
Chelverton Asset Management	500,000	6.3
R J Keeling Esq	358,800	4.5
Schroder Institutional UK Smaller Companies Fund	348,500	4.4
AXA Framlington	300,000	3.8
Charlton T W G Esq	281,500	3.5
Perfecta Assets Ltd	275,000	3.5

At the Annual General Meeting to be held on 24 July 2018 (see the Notice of Annual General Meeting on pages 80 to 82), 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 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 Company and 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company and 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

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 2019 (no indication that this won't be renewed in March 2019), £0.5m overdraft renewable in March 2019 (the Group is not reliant on this renewal), finance leases of £2.5m repayable over 5 years and an import loan of £1.1m. 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.

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 09. 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

4 June 2018

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INTRODUCTION



DAVID ROBERTS FINANCE DIRECTOR

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.

Welcome to the Financial Statements section of our Annual Report.

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

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 28 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 previous page) for easier navigation.

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 2018

	Notes	Year ended 31 March 2018			Year ended 31 March 2017		
		Underlying £000	Non- underlying+ £000	Total £000	Underlying £000	Non- underlying+ £000	Total £000
Revenue	3	37,670	–	37,670	32,119	–	32,119
Cost of sales		(30,802)	–	(30,802)	(25,173)	–	(25,173)
Gross profit		6,868	–	6,868	6,946	–	6,946
Other operating expense	4, 12	(6,512)	(324)	(6,836)	(6,203)	(365)	(6,568)
Operating profit/ (loss)	7	356	(324)	32	743	(365)	378
Finance costs	6	(377)	(126)	(503)	(164)	(160)	(324)
(Loss)/ profit before tax		(21)	(450)	(471)	579	(525)	54
Tax (expense)/ credit	8	(427)	85	(342)	(205)	105	(100)
(Loss)/ profit for the year from continuing operations		(448)	(365)	(813)	374	(420)	(46)
Discontinued operations							
Profit/ (loss) for the year from discontinued operations	10	–	–	–	219	(1,146)	(927)
(Loss)/ profit for the year attributable to equity holders of the parent company		(448)	(365)	(813)	593	(1,566)	(973)
(Loss)/ earnings per share from continuing operations:							
basic	11			(10.2)p			(0.6)p
diluted	11			(10.2)p			(0.6)p
Earnings/ (loss) per share from discontinued operations:							
basic	11			0.0 p			(11.6)p
diluted	11			0.0 p			(11.6)p
Total (loss)/ earnings per share:							
basic	11			(10.2)p			(12.2)p
diluted	11			(10.2)p			(12.2)p

+ 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 increased by 17% during the year to £37.7m (2017: £32.1m). Gross profit margin decreased to 18.2% from 21.6% in 2017.

Underlying operating profit before tax decreased to £0.4m (2017: £0.7m).

The IFRS results show a loss of £0.8m (2017: £1.0m) and a statutory loss per share of 10.2p (2017: loss per share 12.2p).

NON-UNDERLYING EXCEPTIONAL ITEMS

Exceptional items in the year included £0.1m (2017: £0.1m) relating to the realignment of the cost base of the Group.

Tax

The Group's underlying tax charge for the year was £0.4m (2017: £0.2m).

CASH GENERATION AND FINANCING

Operating cash inflow from continuing operations was £1.3m (2017: £0.3m).

Capital expenditure for the year decreased to £3.0m (2017: £3.7m). This was ahead of depreciation and amortisation of £1.4m (2017: £1.2m), reflecting the investment in the new machining facility.

Our overdraft and net borrowings at 31 March 2017 increased to £8.8m (2017: £6.8m).

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 55% of the Group's revenues are denominated in Euros. During the year to 31 March 2017 the average exchange rate used to translate into GBP sterling was €1.26 (31 March 2017: €1.26).

PENSION

The Group's defined benefit pension scheme was closed to future accrual in 2007. Following the last triennial valuation, as at 1 April 2016, 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 22 years.

The pension expense for the defined benefit scheme was £0.3m in 2018 (2017: £0.4m), and is shown in non-underlying. The Group cash contribution during the year was £0.3m (2017: £0.3m).

The Group operates a defined contribution pension scheme for its current employees. The cost of £0.4m (2017: £0.4m) is included within underlying operating performance.

The IAS 19 deficit at 31 March 2017 was £5.1m (2017: £5.2m).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £000	2017 £000
Loss for the year		(813)	(973)
Other comprehensive income			
Reclassification for cash flow hedge included in sales		(18)	(87)
Movements in fair value on cash flow hedges taken to other comprehensive income		87	419
Deferred tax on movement in cash flow hedges	8	(12)	(60)
Movement on deferred tax relating to rate change	8	–	(1)
Net other comprehensive income that may be recycled to profit and loss		57	271
Remeasurement losses on pension assets and liabilities	22	(8)	(612)
Deferred/ current tax on remeasurement losses on pension scheme	8	2	122
Movement on deferred tax on remeasurement losses relating to rate change	8	–	(52)
Net other comprehensive expense that will not be recycled to profit and loss		(6)	(542)
Other comprehensive expense for the year net of tax		51	(271)
Total comprehensive expense for the period attributable to equity holders of the parent company		(762)	(1,244)

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 cash flow 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 profit of £0.1m in 2018 (2017: profit of £0.3m).

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 2016	1,990	1,269	109	(343)	2,068	5,093
Loss for the year	–	–	–	–	(973)	(973)
Other comprehensive income for the year net of tax	–	–	–	271	(542)	(271)
Total comprehensive income/ (expense)	–	–	–	271	(1,515)	(1,244)
Share based payment	–	–	–	–	28	28
Deferred tax on employee share options	–	–	–	–	1	1
Total of transactions with shareholders	–	–	–	–	29	29
Balance at 1 April 2017	1,990	1,269	109	(72)	582	3,878
Loss for the year	–	–	–	–	(813)	(813)
Other comprehensive income for the year net of tax	–	–	–	57	(6)	51
Total comprehensive income/ (expense)	–	–	–	57	(819)	(762)
Share based payment	–	–	–	–	46	46
Deferred tax on employee share options	–	–	–	–	(6)	(6)
Total of transactions with shareholders	–	–	–	–	40	40
Balance at 31 March 2018	1,990	1,269	109	(15)	(197)	3,156

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.

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.

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.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2018

	Notes	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Property, plant and equipment	13	11,703	10,179
Intangible assets	14	427	461
Deferred tax asset	18	1,136	1,498
		13,266	12,138
Current assets			
Inventories	15	3,551	3,347
Trade and other receivables	16	7,985	7,556
		11,536	10,903
Total assets		24,802	23,041
Current liabilities			
Financial liabilities	17	6,989	5,520
Trade and other payables	17	7,465	6,899
		14,454	12,419
Non current liabilities			
Financial liabilities	18	1,889	1,308
Deferred tax	18	23	27
Provisions	18	200	200
Defined benefit pension scheme deficit	22	5,080	5,209
		7,192	6,744
Total liabilities		21,646	19,163
Capital and reserves			
Share capital	19	1,990	1,990
Share premium		1,269	1,269
Capital redemption reserve		109	109
Hedging reserve		(15)	(72)
Retained earnings		(197)	582
Total equity		3,156	3,878
Total equity and liabilities		24,802	23,041

KEVIN NOLAN
DAVID ROBERTS
DIRECTORS

The accounts were approved by the Board of Directors on 4 June 2018

COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

NET DEBT

Net Debt at the year end was £8.9m compared to £6.8m at the end of the previous year. Total committed bank facilities available to the Group at the year end was £11.2m (2017: £10.6m), of which £8.9m (2017: £6.8m) was drawn.

PROPERTY, PLANT AND EQUIPMENT (PPE)

The net book value of the Group's investment in PPE at 31 March 2018 was £11.7m. Capital Expenditure on PPE of £3.0m (2017: £3.7m) represented 208% (2017: 312%) of depreciation of £1.4m (2017: £1.2m).

CASH GENERATION AND FINANCING

Operating cash inflow from continuing operations was £1.3m (2017: £0.3m).

Capital expenditure for the year decreased to £3.0m (2017: £3.9m). This was ahead of depreciation and amortisation of £1.4m (2017: £1.2m), reflecting the continuing investment in the new machining facility.

Our overdraft and net borrowings at 31 March 2018 increased to £8.9m (2017: £6.8m).

The Group debt facility has four elements: £7.0m invoice discounting facility, £0.5m overdraft, finance leases of £2.5m and an import loan of £1.1m.

The facility has the following covenant at year end which was complied with:

- Without prior written consent of HSBC no dividends were payable in the year ended 31 March 2018 and in subsequent years prior written consent of HSBC is required for the payment of any dividends in excess of 50% of net profit after tax.

WORKING CAPITAL

Working Capital, comprising Inventories, Trade and Other Receivables and Trade and Other Payables was 11% of annual sales (2017: 12%) as at year end.

Robust credit control has maintained overdue receivables to 3.6% (2017: 3.2%).

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 liability for the defined benefit obligations at 31 March 2018 was £5.1m (2017: £5.2m).

The Group's defined benefit pension scheme was closed to future accrual in 2007. Following the last triennial valuation, as at 1 April 2016, 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 22 years.

The pension expense for the defined benefit scheme was £0.3m in 2018 (2017: £0.4m), and is shown in non-underlying. The Group cash contribution during the year was £0.3m (2017: £0.3m).

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating activities			
(Loss)/ profit for the year before tax		(471)	54
<i>Adjustments to reconcile (loss)/ profit for the year to net cash inflow/ (outflow) from operating activities:</i>			
Net finance costs excluding pensions	6	377	164
Depreciation of property, plant and equipment	13	1,425	1,125
Amortisation of software	14	64	90
Amortisation and impairment of development costs	14	10	7
Profit on disposal of property, plant and equipment	7	(16)	(1)
Share based payments	20	46	28
Difference between pension contributions paid and amounts recognised in the Consolidated Income Statement		(137)	(95)
Increase in inventories		(204)	(676)
Increase in receivables		(429)	(1,664)
Increase in payables		635	1,220
Income taxes received		–	–
Cash inflow from continuing operations		1,300	252
Cash outflow from discontinued operations		–	(358)
Net cash inflow/ (outflow) from operating activities		1,300	(106)
Investing activities			
Purchase of property, plant and equipment	13	(2,958)	(3,732)
Purchase of software	14	(16)	(41)
Development costs	14	(24)	(133)
Disposal of plant and equipment		25	9
Net cash outflow from investing activities		(2,973)	(3,897)
Financing activities			
Interest paid	6	(377)	(164)
Repayment of asset loan	18	(200)	(162)
Net invoice finance drawdown	17	1,230	1,421
Import loan facility drawdown	17	1,137	1,235
Import loan facility repayment	17	(1,235)	–
Finance leases taken out	17, 18	849	1,583
Net cash inflow from financing activities		1,404	3,913
Net decrease in cash and cash equivalents		(269)	(90)
Cash and cash equivalents at the start of the year		(216)	(126)
Cash and cash equivalents at the end of the year	17	(485)	(216)
Cash and cash equivalents included in discontinued operations		–	(332)
Cash and cash equivalents for continuing operations		(485)	116
Cash and cash equivalents comprise:			
Bank overdraft	17	(485)	(216)
		(485)	(216)

COMMENTARY ON THE CONSOLIDATED CASH FLOW STATEMENT

OPERATING CASH FLOW

The operating cash inflow for the total Group was £1.3m (2017: outflow of £0.1m), driven by depreciation and amortisation add back of £1.5m (2017: increased working capital of £1.1m).

Net working capital balances were maintained (2017: increase of £1.0m) during the year.

Cash spent on property, plant and equipment and capitalised software and development costs in the year was £3.0m (2017: £3.9m) which was equivalent to 198% (2017: 320%) of depreciation and amortisation thereon.

CLOSING NET DEBT

Opening net debt was £6.8m (2017: £3.2m). After the net debt increase in the year of £2.1m (2017: increase of £3.6m) closing net debt was £8.9m (2017: £6.8m).

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 2018 were authorised for issue by the board of directors on 4 June 2018 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 28.

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 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019 [^]
IFRS 17 Insurance Contracts	1 January 2021 [^]

[^]Not adopted by the EU as at 31 March 2018

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 expect the introduction of IFRS 16 Leases to have an impact on the Group's reported disclosures, income or net assets in the period of adoption; however this impact cannot yet be quantified and the Directors are still fully assessing. The Directors expect the introduction of IFRS 9 Financial Instruments to have an impact on the Group's reported disclosures, income or net assets in the period of adoption; however this impact cannot yet be quantified and the Directors are still fully assessing.

IFRS15, Revenue from Contracts with Customers introduces a 5 step approach to the timing of revenue recognition based on performance obligations in customer contracts. An assessment of the impact of IFRS 15 has been completed. Revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue. Had the principles of IFRS 15 been applied in the current reporting period it would not have had an impact on the financial statements.

For all other standards, the Directors do not anticipate that the adoption of these standards, interpretations and other improvements will have a material impact on the Group's reported disclosures, income or net assets in the period of adoption.

SECTION 2

RESULTS OF THE YEAR

3 SEGMENTAL ANALYSIS

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

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

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

Management monitors the operating results of its divisions separately for the purposes of making decisions about resource allocation and performance assessment. The Chief Operating Decision Maker is the Chief Executive.

(i) By operating segment

Year ended	Segmental revenue		Segmental operating profit	
	2018 £000	2017 £000	2018 £000	2017 £000
Foundries	26,396	21,333	528	1,188
Engineering	11,274	10,786	901	816
Continuing operations	37,670	32,119	1,429	2,004
Discontinued operations (note 10)	–	2,810	–	296
Segment results	37,670	34,929	1,429	2,300
Reconciliation of reported segmental operating profit				
Segment operating profit			1,429	2,300
Shared cost (excluding share based payment charge)			(1,073)	(1,261)
Exceptional and non-underlying costs (note 12)			(324)	(365)
Net finance costs (note 6)			(503)	(324)
Loss from discontinued operation (note 10)			–	(296)
(Loss)/ profit before tax from continuing operations			(471)	54
Segmental assets				
Foundries			18,357	16,861
Engineering			5,770	5,508
			24,127	22,369
Segmental liabilities				
Foundries			(5,522)	(5,051)
Engineering			(2,141)	(2,048)
			(7,663)	(7,099)
Segmental net assets				
Unallocated net liabilities			(13,308)	(11,392)
Total net assets			3,156	3,878

Unallocated net liabilities include the pension liability of £5,080,000 (2017: £5,209,000), financial liabilities of £8,878,000 (2017: £6,828,000) and deferred tax asset of £650,000 (2017: £645,000).

SECTION 2

RESULTS OF THE YEAR CONTINUED

3 SEGMENTAL ANALYSIS continued

Capital expenditure, depreciation, amortisation and impairment

	Foundries		Engineering		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Capital additions						
Property, plant and equipment (note 13)	2,720	3,611	238	127	2,958	3,738
Software (note 14)	9	35	7	6	16	41
Development costs (note 14)	–	–	24	133	24	133
Depreciation, amortisation and impairment						
Property, plant and equipment (note 13)	(1,208)	(984)	(217)	(213)	(1,425)	(1,197)
Software (note 14)	(54)	(81)	(10)	(12)	(64)	(93)
Development costs (note 14)	–	–	(10)	(7)	(10)	(7)

(ii) Geographical information

	2018 £000	2017 £000
Revenue by location of customer		
United Kingdom	15,417	15,031
Italy	5,835	4,702
Germany	4,138	3,736
Rest of Europe	9,645	6,159
Other countries	2,635	2,491
	37,670	32,119

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

The Group has one individual customer in Italy which represents more than 10% of Group revenue (2017: none), they account for 15.5% (2017: 14.6%) of Group Revenue.

4 OTHER OPERATING EXPENSES

	2018 £000	2017 £000
Distribution costs	1,160	808
Administration and selling expenses	5,352	5,395
Operating expenses before exceptional items	6,512	6,203
Exceptional and non-underlying items (note 12)	324	365
Operating expenses	6,836	6,568

5 STAFF NUMBERS AND COSTS

The average number of people employed by the Group during the year was:	2018 Number	2017 Number
Management and administration	64	79
Production	312	264
Total employees	376	343

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

	2018 £000	2017 £000
Wages and salaries	12,831	12,132
Social security costs	1,339	1,162
Other pension costs (note 22)	369	353
Share based payment expense (note 20)	46	28
	14,585	13,675

The average number of people employed by the Company during the year was:	2018 Number	2017 Number
Management and administration	12	12

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

	2018 £000	2017 £000
Wages and salaries	993	1,155
Social security costs	126	140
Other pension costs	50	49
Share based payment expense (note 20)	46	28
	1,215	1,372

Directors' remuneration summary	2018 £000	2017 £000
Directors' remuneration	548	773
Company contributions to money purchase pension scheme	36	35
Share based payment charge/ (credit) of options granted to directors (see note 20)	46	28

Number of directors accruing benefits under:	Number	Number
Defined contribution pension schemes	2	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 13 to 15.

The total amount payable to the highest paid director in respect of remuneration was £250,000 (2017: £376,000). Company pension contributions of £21,000 (2017: £21,000) were made to a money purchase pension scheme on his behalf.

SECTION 2

RESULTS OF THE YEAR CONTINUED

6 FINANCE COSTS

	2018 £000	2017 £000
Bank overdraft interest payable	(377)	(164)
Finance cost of pensions (see note 22)	(126)	(160)
	(503)	(324)

7 OPERATING PROFIT/ (LOSS)

	2018 £000	2017 £000
This is stated after charging/(crediting):		
Profit on disposal of fixed assets	(16)	(1)
Depreciation of owned assets	1,425	1,197
Amortisation of software	64	93
Research and development expenditure (excluding capitalised development costs: note 14)	55	33
Amortisation of development costs	10	7
Cost of inventories recognised as an expense	15,352	12,257
Exceptional costs (note 12)	60	138
Exchange loss/ (gain)	127	(21)
Auditor's remuneration:		
Group audit fees	24	21
Audit fees for statutory accounts of subsidiaries	40	40
Audit related assurance services	6	5
Non-audit related services	–	–
Rentals under operating leases:		
Hire of plant and equipment	117	188
Motor vehicles	95	87
Land and buildings	205	398

8 TAXATION

	2018 £000	2017 £000
Current tax:		
UK Corporation tax at 19% (2017: 20%)	(38)	212
Deferred tax:		
Origination and reversal of temporary differences	430	(147)
Adjustments in respect of prior years	(49)	(26)
Change in tax rate	(1)	61
	380	(112)
Tax expense reported in the consolidated income statement	342	100

The Corporation tax rate will fall to 17% from 1 April 2020, a rate change which was substantively enacted on 6 September 2015.

During the year the Group utilised brought forward tax losses of Enil (2017: £292,000) and wrote off £445,000 of deferred tax assets relating to brought forward losses previously recognised.

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

	2018 £000	2017 £000
Current tax:	–	–
Deferred tax:		
Retirement benefit obligation	(2)	(122)
Fair value movements on cash flow hedges	12	60
Change in tax rate	–	53
	10	(9)
Tax credit reported in the consolidated statement of comprehensive income	10	(9)

	2018 £000	2017 £000
Current tax:	–	–
Deferred tax:		
Employee share options	6	(1)
Tax (credit)/ charge reported in the consolidated statement of changes in equity	6	(1)

	2018 £000	2017 £000
Reconciliation of total tax charge		
(Loss)/ profit on ordinary activities before tax	(471)	54
Corporation tax charge at standard rate of 19% (2017: 20%) on (loss)/ profit before tax	(89)	11
Adjusted by the effects of:-		
Expenses not deductible for tax purposes	51	69
Timing differences	(15)	(15)
Deferred tax asset write off	445	–
Amounts (over)/ under provided in prior years		
– corporation tax	–	–
– deferred tax	(49)	(26)
Movement in deferred tax on change in corporation tax rate	(1)	61
Total tax expense reported in the consolidated income statement	342	100

SECTION 2

RESULTS OF THE YEAR CONTINUED

9 DIVIDENDS PAID AND PROPOSED

	2018 £000	2017 £000
Paid equity dividends on ordinary shares	–	–
Proposed final dividend subject to shareholder approval	–	–

10 DISCONTINUED OPERATIONS

On 24 February 2017 production ceased at Chamberlin & Hill Leicester Ltd, the Group's Leicester foundry, with the final sales being made in March 2017. As a result the results of Chamberlin & Hill Leicester Ltd are classified as a discontinued operation and presented as such in these financial statements.

The operating profit of Chamberlin & Hill Leicester Ltd is summarised as follows:

	2018 £'000 Underlying	2018 £'000 Non Underlying	2018 £'000 Total	2017 £'000 Underlying	2017 £'000 Non Underlying	2017 £'000 Total
Revenue	–	–	–	2,810	–	2,810
Cost of sales	–	–	–	(1,942)	–	(1,942)
Gross profit	–	–	–	868	–	868
Other operating expense	–	–	–	(572)	(1,451)	(2,023)
Operating profit/ (loss)	–	–	–	296	(1,451)	(1,155)
Finance costs	–	–	–	(22)	–	(22)
Profit/ (loss) before tax	–	–	–	274	(1,451)	(1,177)
Tax (expense)/ credit	–	–	–	(55)	305	250
Profit/ (loss) for the year from discontinued operations	–	–	–	219	(1,146)	(927)

Cash flows generated by Chamberlin & Hill Leicester Ltd for the reporting periods under review are as follows:

	2018 £000	2017 £000
Operating activities	–	203
Investing activities	–	(7)
Financing activities	–	(554)
	–	(358)

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 28, 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.

Exceptional costs are detailed in note 12.

	2018 £000	2017 £000
Continuing operations loss for basic earnings per share	(813)	(46)
Exceptional costs	60	138
Net financing costs and administration cost on pension obligations	344	359
Share based payment charge	46	28
Taxation effect of the above	(85)	(104)
Earnings for underlying earnings per share (continuing operations)	(448)	375
(Loss)/ earnings per share (pence) from continuing operations:		
underlying	(5.6)	4.7
diluted underlying	(5.6)	4.5

	2018 £000	2017 £000
Discontinued operations (loss)/ earnings for basic earnings per share	–	(927)
Exceptional costs	–	1,451
Taxation effect of the above	–	(305)
Earnings for underlying earnings per share (discontinued operations)	–	219
Earnings per share (pence) from discontinued operations:		
underlying	–	2.8
diluted underlying	–	2.6
Total (loss)/ earnings per share (pence):		
underlying	(5.6)	7.5
diluted underlying	(5.6)	7.1

	2018 Number '000	2017 Number '000
Weighted average number of ordinary shares	7,958	7,958
Adjustment to reflect shares under options	350	350
Weighted average number of ordinary shares - fully diluted	8,308	8,308

As at 31 March 2018 and 31 March 2017, there is no adjustment in the total diluted loss per share calculation for the 350,000 and 160,300 shares respectively 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.

SECTION 2

RESULTS OF THE YEAR CONTINUED

12 EXCEPTIONAL COSTS AND NON-UNDERLYING

	2018 £000	2017 £000
Group reorganisation	60	138
Exceptional costs	60	138
Share based payment charge	46	28
Defined benefit pension scheme administration costs	218	199
Non-underlying other operating expenses	324	365
Non-underlying exceptional costs of discontinued operation	–	1,451
Taxation		
– tax effect of exceptional and non-underlying costs	(52)	(363)
	272	1,453

During 2017 and continuing into 2018 the Group continued to rationalise its operations. Group reorganisation costs, including redundancy and recruitment, relate to this rationalisation.

During 2017 the Group took the decision to close the Leicester foundry. Non-underlying exceptional costs of discontinued operations, including asset impairment, redundancy and site clean up costs, relate to this closure.

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 2016	6,099	20,693	89	26,881
Additions	240	3,498	–	3,738
Disposals	(35)	(1,731)	(41)	(1,807)
At 31 March 2017	6,304	22,460	48	28,812
Additions	80	2,878	–	2,958
Disposals	–	(167)	–	(167)
At 31 March 2018	6,384	25,171	48	31,603
Depreciation				
At 1 April 2015	2,379	16,313	77	18,769
Charge for year	227	967	3	1,197
Disposals	(7)	(1,294)	(32)	(1,333)
At 31 March 2017	2,599	15,986	48	18,633
Charge for year	239	1,186	–	1,425
Disposals	–	(158)	–	(158)
At 31 March 2018	2,838	17,014	48	19,900
Net book value				
At 31 March 2018	3,546	8,157	–	11,703
At 31 March 2017	3,705	6,474	–	10,179
At 1 April 2016	3,720	4,380	12	8,112

Included within plant and machinery is Enil (2017: £1,063,000) relating to assets under the course of construction which is not depreciated.

Included within plant and machinery are assets with net book value of £2,962,000 (2017:£1,815,000) relating to assets held under finance leases.

Included within prior year property, plant and equipment disposals is a cost amount of £1,669,000 and depreciation amount of £1,205,000 which relates to the impairment of assets at the Leicester site which closed in the previous year.

Net book value of land and buildings comprises:	2018 £000	2017 £000
Freehold	3,433	3,592
Short leasehold (leasehold improvements)	113	113
	3,546	3,705

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

13 PROPERTY, PLANT AND EQUIPMENT continued

Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2016	1,670	106	27	1,803
Disposals	–	(13)	(27)	(40)
At 31 March 2017	1,670	93	–	1,763
Additions	–	4	–	4
Disposals	–	–	–	–
At 31 March 2018	1,670	97	–	1,767
Depreciation				
At 1 April 2016	870	70	15	955
Charge for year	27	9	2	38
Disposals	–	(13)	(17)	(30)
At 31 March 2017	897	66	–	963
Charge for year	28	8	–	36
Disposals	–	–	–	–
At 31 March 2018	925	74	–	999
Net book value				
At 31 March 2018	745	23	–	768
At 31 March 2017	773	27	–	800
At 1 April 2016	800	36	12	848

Freehold land included above not subject to depreciation amounted to:

	Group £000	Company £000
2018	743	743
2017	743	743

Impairment Testing

The Group has identified indications of impairment at one of its cash generating units (CGUs), Russell Ductile Castings Limited, within 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 this CGU. The decline in turnover and the losses generated at 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 cash flow projections from financial budgets approved by the Board. The projected cash flows reflect the latest expectations of demand for products in year 1 and 2 and are extrapolated to year 10 using a 2.0% growth rate that is the long-term growth rate of the UK economy. The projected cash flows reflect an expected return to profitability in 2018/19 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 cash flows 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 7.9%.

It was concluded that the recoverable amount of the CGU was greater than the book value of the CGU's assets and as such no impairment charge is deemed necessary.

14 INTANGIBLE ASSETS

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Software	272	320	3	4
Development costs	155	141	–	–
	427	461	3	4

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

14 INTANGIBLE ASSETS continued

Software	Group £000	Company £000
Cost		
At 1 April 2016	1,021	22
Additions	41	5
Disposals	(70)	–
At 31 March 2017	992	27
Additions	16	–
Disposals	–	–
At 31 March 2018	1,008	27
Amortisation/ impairment		
At 1 April 2016	649	22
Charge for the year	93	1
Disposals	(70)	–
At 31 March 2017	672	23
Charge for year	64	1
Disposals	–	–
At 31 March 2018	736	24
Net Book Value		
At 31 March 2018	272	3
At 31 March 2017	320	4
At 1 April 2016	372	–

Included within prior year software disposals is a cost amount of £70,000 and depreciation amount of £70,000 which relates to the impairment of assets at the Leicester site which closed in the previous year.

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

	Group £000	Company £000
Development costs capitalised		
Cost		
At 1 April 2016	267	–
Additions	133	–
At 31 March 2017	400	–
Additions	24	–
At 31 March 2018	424	–
Amortisation/ impairment		
At 1 April 2016	252	–
Charge for year	7	–
Disposal	–	–
At 31 March 2017	259	–
Charge for year	10	–
At 31 March 2018	269	–
Net Book Value		
At 31 March 2018	155	–
At 31 March 2017	141	–
At 1 April 2016	15	–

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	
	2018 £000	2017 £000	2018 £000	2017 £000
Raw materials	1,270	1,198	–	–
Work in progress	941	940	–	–
Finished goods	1,340	1,209	–	–
	3,551	3,347	–	–

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade receivables	6,773	6,857	–	–
Amounts due from subsidiary undertakings	–	–	156	153
Other receivables	668	373	70	88
Prepayments	544	326	28	9
	7,985	7,556	254	250

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 2018 of £6,773,000 (2017: £6,857,000) of which an invoice finance liability of £4,740,000 (2017: £3,510,000) was secured against. The total available invoice finance facility as at 31 March 2018 was £7,000,000 (2017: £7,000,000).

Trade receivables are denominated in the following currencies:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Sterling	3,728	4,178	–	–
Euro	2,955	2,547	–	–
US Dollar	90	132	–	–
	6,773	6,857	–	–

Out of the carrying amount of trade receivables of £6,773,000 (2017: £6,857,000), £3,443,000 (2017: £2,988,000) 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 2018 trade receivables at a nominal value of £23,000 (2017: £6,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
At 1 April	6	16	–	–
Charge for year	17	9	–	–
Amounts written off	–	(7)	–	–
Provision release	–	(12)	–	–
At 31 March	23	6	–	–

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
2018	6,773	6,528	207	21	2	14	1
2017	6,857	6,638	239	(20)	–	–	–

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	
	2018 £000	2017 £000	2018 £000	2017 £000
Debtors where external credit ratings have been sought	6,680	6,608	–	–
Debtors where internal credit assessments have been made	93	249	–	–
	6,773	6,857	–	–

Of the balance in respect of counterparties with internal ratings 2% (2017: 1%) is in respect of new customers, and 98% (2017: 99%) existing customers with no history of defaults.

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

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Income taxes receivable				
UK corporation tax	–	–	107	101

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

17 CURRENT LIABILITIES

	Group		Company	
Financial liabilities	2018 £000	2017 £000	2018 £000	2017 £000
Bank overdraft	485	216	1,772	–
Current instalments due on asset finance loans	–	200	–	–
Invoice finance facility	4,740	3,510	–	–
Import loan facility	1,137	1,235	–	–
Current instalments due on finance leases	627	359	–	–
	6,989	5,520	1,772	–

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 2019. The net overdraft position as at 31 March 2018 was £485,000 (2017: £216,000), this comprises cash balances of £1,735,000 (2017: £533,000) and bank overdrafts of £2,220,000 (2017: £749,000). Interest is payable at 2.0% (2017: 2.0%) over base rate.

Asset finance loans were fully repaid in the year. Previously they were secured against various items of plant and machinery across the Group.

The import loan facility is used to facilitate the purchase of equipment for the new machining centre. Once each asset is commissioned the import loan facility is repaid in full, facilitated by a sale and lease back on finance lease. 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 five years to March 2022. Interest is payable at fixed amounts that range between 3.1% and 6.2%.

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 2018 was £7,000,000 (2017: £7,000,000). Management have assessed the treatment of the financing arrangements and have determined it is appropriate to recognise trade receivables and invoice finance liabilities separately.

	Group		Company	
Trade and other payables	2018 £000	2017 £000	2018 £000	2017 £000
Trade payables	4,669	4,196	–	–
Other taxation and social security	600	516	33	35
Other payables	208	223	24	7
Accruals	1,970	1,877	510	1,094
Fair value of derivative forward contracts	18	87	–	–
	7,465	6,899	567	1,136

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

18 NON CURRENT LIABILITIES

	Group		Company	
Financial liabilities	2018 £000	2017 £000	2018 £000	2017 £000
Instalments due on finance leases	1,889	1,308	–	–
	1,889	1,308	–	–

Finance leases are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a period of five (2017: five) years to January 2023. £609,000 is repayable in 1-2 years (2017: £344,000), £1,280,000 within 2-5 years (2017: £943,000) and £nil in greater than 5 years (2017: £21,000). Interest is payable at a fixed amount that ranges between 3.1% and 6.2%.

	Dilapidations £000	Total £000
Provisions for liabilities		
As at 31 March 2016 & 2017	200	200
Charge for the year	–	–
As at 31 March 2018	200	200

Dilapidations

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

	Group		Company	
Deferred tax liabilities	2018 £000	2017 £000	2018 £000	2017 £000
Deferred taxation	23	27	6	–

	2018 £000	2017 £000
Group liabilities		
Temporary differences relating to share options	6	–
Capital gains rolled over	17	27
	23	27

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

18 NON CURRENT LIABILITIES continued

	Group		Company	
Deferred tax assets	2018 £000	2017 £000	2018 £000	2017 £000
Temporary differences relating to capital allowances	239	473	13	13
Temporary differences relating to pension scheme deficit	864	886	864	886
Temporary differences relating to share options	–	1	–	1
Temporary differences relating to tax losses	–	103	–	–
Temporary differences relating to cash flow hedges	3	–	–	–
Other temporary differences	30	35	23	6
	1,136	1,498	900	906

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 carried forward for which a deferred tax asset has not been recognised total £579,000 (2017: £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 2038, based on the April 2016 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 2038. 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 charge of £380,000 (2017: credit of £122,000), a charge of £361,000 (2017: credit of £112,000) was recognised within the consolidated income statement, a charge of £10,000 (2017: credit of £9,000) was recognised within other comprehensive income and a charge of £6,000 (2017: credit of £1,000) recognised within the consolidated statement of changes in equity.

SECTION 4

CAPITAL STRUCTURE

19 SHARE CAPITAL

Allotted, called up and fully paid	2018 £000	2017 £000
7,958,126 (2017: 7,958,126) Ordinary shares of 25p	1,990	1,990

During the year no shares (2017: none) were issued to directors to satisfy share options at nil (2017: nil) cost.

During the year 600,000 share options lapsed (2017: 830,255), none were granted (2017: 350,000) and none (2017: 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 13 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:

	No. of options	Weighted average Exercise price (p)	Remaining contractual life (years)
At 31 March 2017	1,430,255	81.7	5.3
Granted	350,000	nil	9.7
Lapsed	(830,255)	70.2	3.1
At 31 March 2017	950,000	61.7	8.8
Lapsed	(600,000)	97.7	8.3
At 31 March 2018	350,000	nil	8.7

Nil (2017: Nil) 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 2018, the total fair value of options was £22,000 (2017: £22,000), of which £7,000 was charged to the consolidated income statement (2017: charge of £2,000). The fair value of options granted in the year was £nil (2017: £22,000).

The exercise price of options as at 31 March 2018 is nil (2017: nil p and 97.7p).

SECTION 4

CAPITAL STRUCTURE CONTINUED

20 SHARE BASED PAYMENTS continued

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

	2018
Grant date	14-Dec-16
Maturity date	14-Dec-19
Share price	70p
Expected volatility	21.8%
Expected life	7.0 years
Risk free rate	1.4%
Expected dividend yield	Nil

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

The mid-market price of the shares at 31 March 2018 was 63.5p (2017: 99.5p) and during the year ranged between 63.5p and 176.5p (2017: between 50.5p and 108.5p).

21 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings

	£000
Cost at 1 April 2017 and 1 April 2018	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
Chamberlin Foundry Ltd	Intermediary holding company

Wholly owned dormant subsidiaries

Chamberlin Group Ltd
Chamberlin & Hill 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 2018 was £218,000 (2017: £199,000) plus £126,000 of financing cost (2017: £160,000).

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 £369,000 (2017: £353,000). 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 2018	At 31 March 2017	At 31 March 2016
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase of pensions in payment- post 1997 accrual only	3.1%	3.3%	2.9%
Discount rate	2.5%	2.5%	3.5%
Inflation assumption- RPI	3.2%	3.3%	2.9%
Inflation assumption- CPI	2.2%	2.3%	2.1%

Demographic assumptions are all based on the S2PA (2017: S2PA) 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.

	2018 Years	2017 Years
Current pensioners at 65 male	21.1	21.1
female	23.0	22.9
Future pensioners at 65 male	22.1	22.1
female	24.1	24.0

The scheme was closed to future accrual with effect from 30 November 2007, after which the Company's regular contribution rate reduced to zero (previously the rate had been 9.1% of members' pensionable salaries).

The contributions expected to be paid during the year to 31 March 2019 are £271,000. Apart from this amount there are no other minimum funding requirements.

The triennial valuation as at 1 April 2017 was completed during the year and concluded that in return for maintaining the previous contribution arrangements and extending the deficit reduction period to 2038, the Company has given security over the Group's land and buildings to the pension scheme. With effect from 1 April 2018 deficit reduction contributions will increase to £22,547 per month (previously £21,890 per month), with a 3% annual increase thereafter.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

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:

	2018 £000	2017 £000
Equities/diversified growth fund	11,802	12,325
Bonds	1,280	1,143
Insured pensioner assets	28	30
Cash	97	50
Market value of assets	13,207	13,548
Actuarial value of liability	(18,287)	(18,757)
Scheme deficit	(5,080)	(5,209)
Related deferred tax asset	864	886
Net pension liability	(4,216)	(4,323)

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.

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Net benefit expense recognised in profit and loss		
Net interest cost	(126)	(160)
Net benefit expense	(126)	(160)

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Re-measurement losses/ (gains) in other comprehensive income		
Actuarial losses/ (gains) arising from changes in financial assumptions	(151)	2,703
Actuarial gains arising from changes in demographic assumptions	(129)	(599)
Experience adjustments	291	(254)
Return on assets (excluding interest income)	(3)	(1,238)
Total re-measurement of the net defined liability shown in other comprehensive Income	8	612

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Actual return on plan assets	334	1,673

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(5,209)	(4,692)
Movement in year:		
Employer contributions	263	255
Net interest expense	(126)	(160)
Actuarial loss	(8)	(612)
Deficit in scheme at end of year	(5,080)	(5,209)

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Movement in scheme assets		
Fair value at beginning of year	13,548	12,974
Interest income on scheme assets	331	435
Return on assets (excluding interest income)	3	1,238
Employer contributions	263	255
Benefits paid	(938)	(1,354)
Administrative costs	–	–
Fair value at end of year	13,207	13,548

	Year to 31 March 2018 £000	Year to 31 March 2017 £000
Movement in scheme liabilities		
Benefit obligation at start of year	18,757	17,666
Interest cost	457	595
Actuarial losses/ (gains) arising from changes in financial assumptions	(151)	2,703
Actuarial gains arising from changes in demographic assumptions	(129)	(599)
Experience adjustments	291	(254)
Benefits paid	(938)	(1,354)
Benefit obligation at end of year	18,287	18,757

The weighted average duration of the pension scheme liabilities is 13.5 years (2017: 14.0 years).

A quantitative sensitivity analysis for significant assumptions as at 31 March 2018 is as shown below:

Present value of scheme liabilities when changing the following assumptions:

	2018 £000
Discount rate increased by 1% p.a.	16,111
RPI and CPI increased by 1% p.a.	19,324
Mortality- members assumed to be their actual age as opposed to 1 year older	19,102

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 2018 amounted to £7,106,000 (2017: £7,134,000).

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

24 FINANCIAL COMMITMENTS

	Group		Company	
Capital expenditure	2018 £000	2017 £000	2018 £000	2017 £000
Contracted for but not provided in the accounts	173	137	–	–

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	
	2018 £000	2017 £000	2018 £000	2017 £000
Future minimum payments due:				
Not later than one year	297	535	67	63
After one year but not more than five years	562	694	91	52
After five years	374	401	–	–
	1,233	1,630	158	115

Leases on land and buildings comprise the lease the premises of Petrel Limited (£91,000 per annum with an end date of 20 August 2019) and the lease for the Group's new machined bearing housing facility £118,000 per annum for the first 5 years and £88,000 per annum thereafter with an end date of November 2026.

No early termination is permitted on the lease on Petrel's premises or the machining facility.

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 50% 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 £1,146,000 (2017: liabilities of £1,290,000). 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 2018, 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 £738,000 (2017: £684,000).

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 (Euros '000)	Weighted average contract rate	Contracted amount £'000	Contracted amount at year end rate £'000	Unrealised gain/ (loss) £'000
At 31 March 2018	17,547	1.13	15,502	15,463	39
At 31 March 2017	16,781	1.17	14,373	14,392	(19)

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 £26,000 reduction in profit before tax (2017: £19,000). An equivalent decrease in rates would increase profit before tax by £26,000 (2017: £19,000).

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

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Financial liabilities				
Bank overdraft (Sterling denominated)	(2,190)	1,944	(1,772)	–
Bank overdraft (Euro denominated)	1,705	(2,160)	–	–
Invoice finance (Sterling denominated)	(2,284)	(1,791)	–	–
Invoice finance (Euro denominated)	(2,377)	(1,580)	–	–
Invoice finance (US Dollar denominated)	(79)	(139)	–	–
Asset finance loans (Sterling denominated)	–	(200)	–	–
Finance leases (Sterling denominated)	(2,516)	(1,667)	–	–
Import finance loan (Euro denominated)	(1,137)	(1,235)	–	–
	(8,878)	(6,828)	(1,772)	–

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 £17,000 (2017: £9,000).

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

25 DERIVATIVES AND FINANCIAL INSTRUMENTS continued

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 dividend 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, hire purchase and equity. The Group's £0.5m overdraft facility is renewable annually and is renewable in March 2019. The Group's £7.0m invoice finance facility is renewable in March 2019, 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. 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 Group's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Group Finance Director and to and the audit committee. Valuation processes fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates. The following valuation techniques are used for instruments categorised in Levels 2 and 3:

→ Foreign currency forward contracts (Level 2) – The Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

The table below summarises the maturity profile of the Group's financial assets and liabilities, which are all classified as level 2, at 31 March 2018 and 31 March 2017.

The carrying value of the Group's financial assets and liabilities is considered to be the same as the fair value.

	On demand	Less than one year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
At 31 March 2018						
Financial assets						
Trade receivables	6,773					6,773
Non-derivative financial liabilities						
Bank overdraft	485	–	–	–	–	485
Invoice finance	4,740	–	–	–	–	4,740
Finance leases, including interest	–	691	672	1,417	–	2,780
Import loan, including interest	–	1,182	–	–	–	1,182
Trade payables	–	4,669	–	–	–	4,669
	5,225	6,542	672	1,417	–	13,856
At 31 March 2017						
Financial assets						
Trade receivables	6,857					6,857
Non-derivative financial liabilities						
Bank overdraft	216	–	–	–	–	216
Invoice finance	3,510	–	–	–	–	3,510
Asset loans, including interest	–	211	–	–	–	211
Finance leases, including interest	–	428	413	1,044	21	1,906
Import loan, including interest	–	1,284	–	–	–	1,284
Trade payables	–	4,196	–	–	–	4,196
	3,726	6,119	413	1,044	21	11,323

The gross undiscounted future cash flows 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 2018					
Foreign Exchange forward contracts	–	11,989	3,474	–	15,463
	–	11,989	3,474	–	15,463
At 31 March 2017					
Foreign Exchange forward contracts	–	11,198	3,194	–	14,392
	–	11,198	3,194	–	14,392

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.

The Company's financial liabilities comprise the bank overdraft of nil £1,772,000 (2017: £nil) and is payable on demand.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

25 DERIVATIVES AND FINANCIAL INSTRUMENTS continued

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £3,156,000 (2017: £3,878,000). 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.

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	
	2018 £000	2017 £000	2018 £000	2017 £000
Compensation of key management personnel (including directors)				
Short term employee benefits (including employer's NI)	1,388	1,722	619	880
Termination costs (including employer's NI)	–	57	–	–
Share based payments	46	28	46	28
Pension contributions	66	66	36	35
	1,500	1,873	701	943

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

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

27 NET DEBT

	Net overdraft £'000	Invoice finance £'000	Asset loan £'000	Finance leases £'000	Import loan £'000	Total £'000
At 1 April 2016	126	2,582	400	84	–	3,192
Cashflow	64	851	(206)	1,581	1,186	3,476
Interest	26	77	6	2	49	160
At 31 March 2017	216	3,510	200	1,667	1,235	6,828
Cashflow	238	1,083	(206)	792	(145)	1,762
Interest	31	147	6	57	47	288
At 31 March 2018	485	4,740	–	2,516	1,137	8,878
Balances comprise:						
Current liabilities	485	4,740	–	627	1,137	6,989
Non-current liabilities	–	–	–	1,889	–	1,889
	485	4,740	–	2,516	1,137	8,878

28 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 affect 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 04 to 07. 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 2019 (no indication that this won't be renewed in March 2019), £0.5m overdraft renewable in March 2019 (the Group is not reliant on this renewal), finance leases of £2.5m repayable over 5 years and an import loan of £1.1m. 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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 2018 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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the significant risks and rewards of ownership are transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

28 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 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, and associated tax impact on these items.

Financial Leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

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. No development costs have been deemed to be impaired during the year.
- 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. Note 13 provides details of the impairment review undertaken during the period.
- Defined benefit scheme pension liabilities – the cost of the closed defined benefit pension plan is determined using actuarial valuations. The actuarial valuation, which is undertaken by external experts, involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Note 22 provides details of the defined pension scheme liabilities and valuation assumptions.
- 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. No restructuring provisions are included in the current year figures.
- 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. Note 18 provides details of the deferred tax assets.
- Impairment of business incentives – the Group classifies business incentive payments made upfront for the award of contracts within prepayments. These business incentives are amortised to the P&L through sales over a 5 year period. The Group undertakes an impairment review at each reporting period to ensure each contract relating to the business incentive payment still has an economic benefit to the Group. Business incentive payments are included within other receivables within note 16.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Chamberlin Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018, which comprise the consolidated income statement, 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

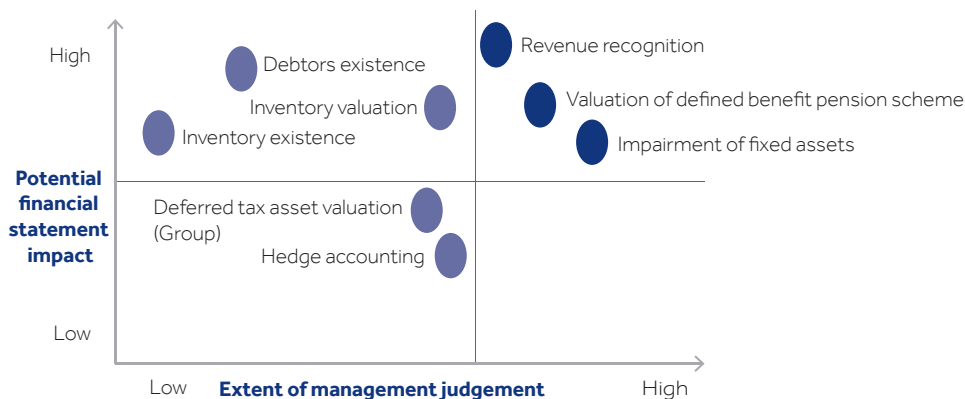


Overview of our audit approach

- Overall materiality: £565,000, which represents 1.5% of the group's total revenues.
- Key audit matters were identified as revenue recognition, impairment of fixed assets and valuation of defined benefit pension scheme for the group.
- We have performed full-scope audit procedures on the financial statements of Chamberlin Plc and on the financial information of all subsidiaries of Chamberlin Plc.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC CONTINUED

Key Audit Matter – Group

Revenue recognition

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

Revenue is the key driver of the business and used as an important benchmark by analysts for assessing the health of the company. Due to the presumed risk of fraud that revenue may be misstated due to improper revenue recognition, we have identified revenue recognition (focussing on occurrence) as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- evaluating the revenue recognition accounting policies for appropriateness in accordance with the requirements of International Accounting Standard (IAS) 8 'Revenue' and executing audit procedures to provide evidence that revenue was accounted for in accordance with these policies.
- testing a sample of revenue transaction across each subsidiary by agreeing amounts to contracted amounts, cash receipts and/or proof of delivery where applicable.
- assessing revenue analytically by comparing revenue recognised during the year to prior years and corroborating fluctuations by computing ratios relevant to the group, verifying that the underlying data used in the analytics is valid and comparing results to expectations.
- determining that a sale has occurred in the financial year for revenue recorded through journal entries by sampling invoices raised during the cut-off period and testing whether they relate to goods dispatches in the correct period.

The group's accounting policy on revenue recognition is shown in note 28 to the financial statements and related disclosures are included in note 3.

Key observations

Based on our audit work, we did not identify any evidence of material misstatement in the revenue recognised in the year to 31 March 2018.

Key Audit Matter – Group

Impairment of fixed assets

The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. Directors' assessment of the value in use of the group's Cash Generating Units (CGUs) involves judgement about the future performance of the CGU and the discount rates applied to future cash flow forecasts.

Therefore, we identified impairment of fixed assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- testing the methodology applied in the value in use calculation complies with the requirements of IAS 36, 'Impairment of Assets', including assessing whether impairment indicators exist and if so, were they evaluated in accordance with the accounting policy.
- testing the mathematical accuracy of management's model.
- corroborating valuation of assets in question to third party valuation reports, where applicable.
- testing the key underlying assumptions for the financial year 2019 budget by making inquiries of management on its knowledge of future actions that directly impact growth rate and profitability margins and challenging them on the feasibility of such future actions.
- challenging management on its cash flow forecast and the implied growth rates for the financial year 2019 and beyond, considering evidence available to support these assumptions.
- assessing the discount rates used in the forecast by performing a sensitivity analysis to test the reactivity of the estimate to possible changes in assumptions.
- performing a sensitivity analysis in respect of the key assumptions such as discount and growth rates to ensure there was sufficient headroom in their calculation.

The group's accounting policy on impairment is shown in note 28 to the financial statements and related disclosures are included in note 13.

Key observations

Based on our audit work, we found that the assumptions made and estimates used in management's assessment of fixed asset impairment were reasonable. Note 13 also appropriately discloses the assumptions used in arriving at the estimate. We found no errors in the calculations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC CONTINUED

Key Audit Matter – Group

Valuation of defined benefit pension scheme

The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 March 2018, the defined benefit pension schemes' deficit was £5.1 million. The gross value of pension scheme assets and liabilities, which form the deficit amount to £9.5 million and £15.6 million respectively.

The valuation of the pension liabilities and assets in accordance with IAS 19 'Employee Benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements.

Therefore, we identified the valuation of the defined benefit pension scheme as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- testing the methodology applied in valuation of the pension arrangements and assessing compliance with IAS 19 'Employee Benefits', including assessing whether the liabilities arising from the defined benefit scheme including return on plan assets were being evaluated in accordance with the accounting policy.
- using an actuarial specialist to review the assumptions used, including discount rates, price inflation, pension rate increases, mortality rates and the calculation methods employed in the calculation of the pension liability.
- corroborating the pension scheme assets with statements issued by external asset managers.

The group's accounting policy on defined benefit pension scheme is shown in note 28 to the financial statements and related disclosures are included in note 22.

Key observations

Based on our audit work, we found the valuation methodologies including the inherent actuarial assumptions to be reasonable and consistent with the expectation of our actuarial specialists. We consider that the group's disclosures on page 51 appropriately describe the significant degree of inherent imprecision in the assumptions and estimates and the potential impact on future periods of revisions to these estimates. We found no errors in calculations.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

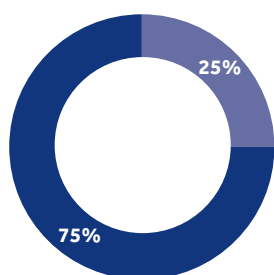
Materiality measure	Group	Parent
Financial statements as a whole	<p>£565,000, which is 1.5% of the group's total revenues. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the group.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2017 as a result of increases in revenue.</p>	<p>£136,000, which is 1.5% of the company's total assets excluding the deferred tax asset, income tax receivable and amount due from subsidiary undertakings. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the company whose principal activity is that of an investment holding company.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 as a result of decreases in total assets.</p>
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality. This is consistent with performance materiality in the previous year.	Based on our risk assessment, including the company's overall control environment, we determined a performance materiality of 75% of the financial statement materiality. This is consistent with performance materiality in the previous year.
Specific materiality	We determined a lower level of materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£28,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT

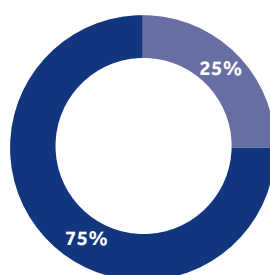
TO THE MEMBERS OF CHAMBERLIN PLC CONTINUED

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality - group



Overall materiality - parent



■ Tolerance for potential uncorrected misstatements
■ Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile including performing walkthroughs of management's processes and assessing the design effectiveness of key controls. The subsidiaries of the group were evaluated by the audit team based on a measure of materiality considering each as a percentage of total group assets, liabilities, revenues and profit before taxes, to assess its significance in relation to the overall group and to determine the planned audit response. In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, Chamberlin Plc and on the financial information of the group's subsidiaries. The operations that were subject to full-scope audit procedures made up 100 per cent of consolidated revenues and 100 per cent of total profit before tax.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

DAVID WHITE

SENIOR STATUTORY AUDITOR
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
4 June 2018

PARENT COMPANY BALANCE SHEET

AT 31 MARCH 2018

	Notes	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Property, plant and equipment	13	768	800
Intangible assets	14	3	4
Investments	21	8,159	8,159
Deferred tax asset	18	900	906
		9,830	9,869
Current assets			
Financial assets		–	306
Trade and other receivables	16	98	97
Income taxes receivable	16	107	101
Amounts due from subsidiary undertakings	16	156	153
		361	657
Total assets		10,191	10,526
Current liabilities			
Financial liabilities	17	1,772	–
Trade and other payables	17	567	1,136
		2,339	1,136
Non-current liabilities			
Deferred tax		6	–
Defined benefit pension scheme deficit	22	5,080	5,209
		5,086	5,209
Total liabilities		7,425	6,345
Capital and reserves			
Share capital	19	1,990	1,990
Share premium		1,269	1,269
Capital redemption reserve		109	109
Retained earnings		(602)	813
Total equity		2,766	4,181
Total equity and liabilities		10,191	10,526

The loss dealt with in the accounts of the parent company was £1,449,000 (2017: profit of £403,000).

KEVIN NOLAN
DAVID ROBERTS
DIRECTORS

The accounts were approved by the Board of Directors on 4 June 2018

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating activities			
(Loss)/ profit for the year before tax		(1,579)	308
<i>Adjustments to reconcile (loss)/ profit for the year to net cash inflow/ (outflow) from operating activities:</i>			
Net finance costs excluding pensions		81	87
Investment income		–	(2,450)
Depreciation of property, plant and equipment	13	36	38
Amortisation of software	14	1	1
Profit on disposal of property, plant and equipment		–	(1)
Share based payments	20	46	28
Difference between pension contributions paid and amounts recognised in the Income Statement		(137)	(95)
Decrease in receivables		128	123
(Decrease)/ increase in payables		(569)	515
Net cash outflow from operating activities		(1,993)	(1,446)
Investing activities			
Dividends received		–	2,450
Purchase of property, plant and equipment	13	(4)	–
Disposal of plant and equipment		–	8
Net cash (outflow)/ inflow from investing activities		(4)	2,458
Financing activities			
Interest paid		(81)	(87)
Net cash outflow from financing activities		(81)	(87)
Net (decrease)/ increase in cash and cash equivalents		(2,078)	925
Cash and cash equivalents at the start of the year		306	(619)
Cash and cash equivalents at the end of the year		(1,772)	306
Cash and cash equivalents comprise:			
(Bank overdraft)/ cash in hand		(1,772)	306
		(1,772)	306

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 Company £000
Balance at 1 April 2016	1,990	1,269	109	923	4,291
Profit for the year	–	–	–	403	403
Other comprehensive expense for the year net of tax	–	–	–	(542)	(542)
Total comprehensive income	–	–	–	(139)	(139)
Share based payment	–	–	–	28	28
Deferred tax on employee share options	–	–	–	1	1
Total of transactions with shareholders	–	–	–	29	29
Balance at 1 April 2017	1,990	1,269	109	813	4,181
Loss for the year	–	–	–	(1,449)	(1,449)
Other comprehensive expense for the year net of tax	–	–	–	(6)	(6)
Total comprehensive income	–	–	–	(1,455)	(1,455)
Share based payment	–	–	–	46	46
Deferred tax on employee share options	–	–	–	(6)	(6)
Total of transactions with shareholders	–	–	–	40	40
Balance at 31 March 2018	1,990	1,269	109	(602)	2,766

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.

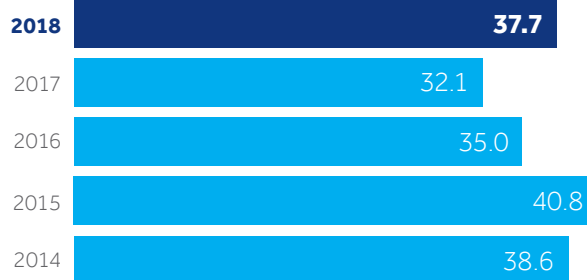
RETAINED EARNINGS

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.

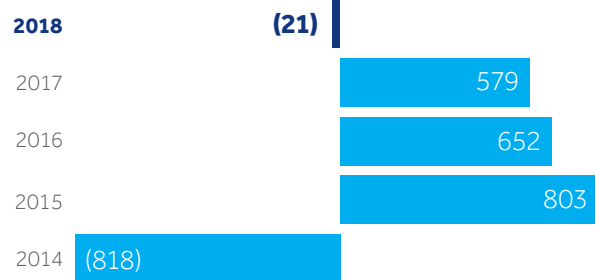
FIVE YEAR FINANCIAL SUMMARY

Financial Highlights	31 March 2018 £000	31 March 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000
Revenue	37.7	32.1	35.0	40.8	38.6
Underlying profit before tax	(21)	579	652	803	(818)
Statutory profit before tax	(471)	54	(236)	76	(2,116)
Underlying diluted earnings per share	(5.6)	7.1	5.5	7.2	(7.6)
Dividend per share	0.0	0.0	0.0	0.0	0.0
Cash generated from operations	1,300	(106)	2,256	1,320	(1,497)

REVENUE (£m)



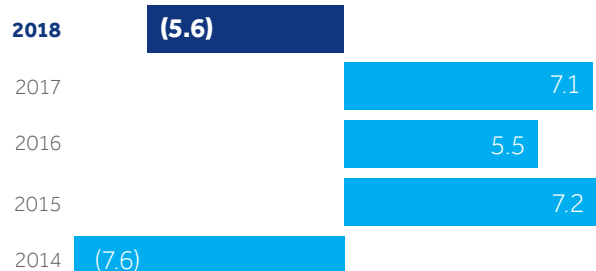
UNDERLYING PROFIT BEFORE TAX (£000)



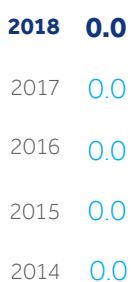
STATUTORY PROFIT BEFORE TAX (£000)



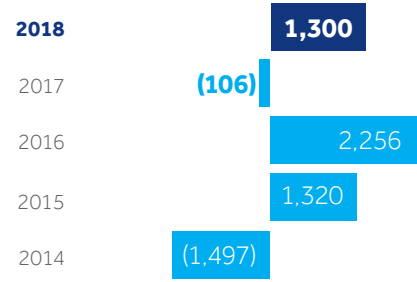
UNDERLYING DILUTED EARNINGS PER SHARE (p)



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:

- 10.30am on 20 July 2018; or,
- If this Meeting is adjourned, at 10.30am 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 Tuesday 24 July 2018 at the Registered Office, Chuckery Road, Walsall, WS1 2DU at 10.30am 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 2018 (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 David Flowerday who has been appointed by the board since the last annual general meeting as a director of the Company (Resolution 6).
7. To approve the Directors' Remuneration Report for the year ended 31 March 2018 (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 24 October 2019, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance to such offers or agreements as if this authority had not expired (Resolution 9).

To consider and, if thought fit, to pass the following resolutions as special resolutions:

10. That, subject to the passing of resolution 9 and pursuant to section 570 of the Companies Act 2006 the Directors be and are hereby generally empowered (in substitution for all existing powers under section 570 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 9 as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities
- (a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
- (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,
- but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- (b) otherwise than pursuant to paragraph 10(a) of this resolution, up to an aggregate nominal amount of £198,953,
- 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 24 October 2019, 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 24 October 2018, 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

4 June 2018

Chuckery Road
Walsall
WS1 2DU

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 10.30am on 20 July 2018 (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 9 of the enclosed annual report and accounts.

An explanation of Resolutions 9, 10 and 11 is set out in the Report of the Directors on page 16-19.

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)
David Flowerday (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 Smith & Williamson
London

BANKERS HSBC Bank plc
Birmingham

REGISTRARS Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

SHAREHOLDER NOTES



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



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



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



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



Visit us online

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

www.chamberlin.co.uk

chamberlin plc

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T: 01922 707100 F: 01922 638370
E: plc@chamberlin.co.uk