

chamberlin plc

**ANNUAL REPORT
AND ACCOUNTS**

for the year ended 31 March 2019

STOCK CODE: CMH



**DIFFICULT
THINGS
DONE
WELL**

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 – 63% 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:

"Although revenues are expected to reduce, we are positioning Chamberlin to deliver an improved operating financial performance in the 2019/20 financial year."

Highlights

Financial

- Sale of engineering subsidiary, Exidor Ltd ('Exidor'), was completed in December 2018
- Revenue growth continued on a like-for-like basis following the sale of Exidor
- Revenues on continuing operations up 9.3% to £33.0m (2018: £30.2m)
- Gross margin of 11.4% (2018: 15.5%)
- Underlying operating loss before tax* of £0.9m (2018: £0.3m). This result is not directly comparable to 2018's due to the adoption of IFRS 16, which has resulted in increased finance expense of £0.1m and reduced operating expenses of £0.1m in the year
- Non-underlying profit of £2.9m, which was mainly generated from the sale of Exidor (£6.2m net profit) offset by an impairment of £3.0m on the fixed assets of the foundry operations
- IFRS diluted loss per share for continuing operations increased to 16.8p (2018: loss per share of 12.4p)
- Capital expenditure of £1.2m (2018: £3.0m), excluding £0.8m of leased assets due to early adoption of IFRS 16
- Net debt reduced to £5.4m as at the year-end (2018: £9.6m). This includes machining facility investment and IFRS 16 liabilities of £1.0m

Operational

- Foundry revenues grew by 11.2% to £29.3m, mainly reflecting a strong first half
- Continuing Engineering revenues decreased by 3.8% to £3.6m primarily due to a weaker Quarter 4 because of Brexit uncertainties although profitability increased
- Sale of Exidor to ASSA ABLOY Limited for a headline consideration of £10.0m:
 - generated cash proceeds of £8.5m after deductions for net debt transferred, working capital, retentions and costs;
 - strengthened the Group's balance sheet;
 - facilitated a one-off contribution of £2.5m towards the defined benefit pension liability

REVENUE ON CONTINUING OPERATIONS

£33.0m



UNDERLYING LOSS BEFORE TAX

(£1.3m)



STATUTORY LOSS BEFORE TAX

(£5.0m)



TOTAL EARNINGS PER SHARE

19.2p



NET DEBT DECREASE/ (INCREASE)

£4.2m



* Underlying figures relate to continuing operations and are stated before exceptional items (GMP equalisation, impairment of fixed assets and onerous leases) and non-underlying costs (administration costs of the pension scheme, net financing costs on pension obligations, and share based payment costs) together with the associated tax impact.

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CHAIRMAN'S STATEMENT



KEITH BUTLER-WHEELHOUSE
CHAIRMAN

For the last several years we have been seeking to grow both our Foundry business and our two smaller engineering businesses. During the year we concluded that we did not have the financial resources to continue this growth on all fronts and accordingly set about finding a new owner for Exidor who would be better placed to develop this business, and who could reflect the potential of the business in the price. Exidor was accordingly sold to Assa Abloy for a headline consideration of £10m during the year.

The proceeds were used to reduce both the level of debt and the pension deficit. The pension deficit as at the year-end was £2.6m compared to £5.1m last year.

On a like-for-like basis net debt reduced from £9.6m in 2018 to £5.4m in 2019. Chamberlin chose to early adopt the new IFRS 16 accounting standard to capitalise finance leases, increasing the overall reported debt by £1.0m.

Although each of our businesses grew during the year, the performance of our principal Foundry business deteriorated in the second half, with our automotive turbocharger customers reducing their schedules, partly reflecting upheavals in their activities as the car makers adjust their offerings in response to the new emissions testing regime.

Our profit after tax of £1.5m incorporated the gain on the sale of Exidor which amounted to £6.2m, offset by an impairment of £3.0m on the fixed assets in the foundry division. The underlying operating loss on continuing operations was £0.9m (2018: £0.3m). We are now engaged in right-sizing our structure to reflect the reduced scale of the Group and the trading prospects ahead.

The Board and Staff

David Roberts resigned as Finance Director and Company Secretary and was replaced by Neil Davies in December 2018. Neil, formerly Finance Director of European Operations for International Automotive Components, has over 20 years' experience in senior finance roles within high volume automotive manufacturing. I would like to record my thanks to David for his strong contribution to the Group and to extend a warm welcome to Neil.

Chamberlin has a hard-working and dedicated team and, on behalf of the Board, I would like to thank everyone for their high level of commitment during the year.

Outlook

Although revenues are expected to show some reduction, we are positioning Chamberlin to deliver an improved financial performance in the 2019/20 financial year.

KEITH BUTLER-WHEELHOUSE
CHAIRMAN

3 June 2019

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.

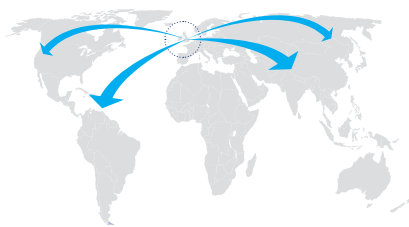
Work is allocated across its two foundry sites and one machining facility based on size and metallurgy as follows:

- 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 63% 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 Petrel, Birmingham

CHIEF EXECUTIVE'S REVIEW



KEVIN NOLAN CHIEF EXECUTIVE

The Group is pleased to report a profit after tax of £1.5m based on revenue of £33.0m. This was driven by a one-off profit of £6.2m from the disposal of Exidor, part of our engineering operations, partly offset by an impairment charge of £3.0m against some of our foundry fixed assets.

Operationally, the technical issues faced during 2017-18 were mainly resolved by mid-2018 but the lower revenues in the second half resulted in the Group posting an underlying operational loss on continuing operations before finance cost and tax of £0.9m (2018: £0.3m loss).

Foundries

Foundry revenues increased by 11% year-on-year from £26.4m to £29.3m benefiting from a full year contribution from our machining facility. Sales slowed in the second half due to the demand tightening in the European turbocharger market partly arising from the disruption to vehicle manufacturer's schedules by the new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emissions testing regime.

Operating profits were held back in the first half by operational issues in our new machining facility which are now mainly resolved. In the second half the reducing volumes constrained the profit opportunity. Second half volumes in the turbocharger-focused Walsall business unit were 16% below the first half levels, and it was not possible to immediately reduce overheads in step with sales. Additionally, a foundry customer fell into administration, impacting our profit by approximately £0.1m.

Underlying operating profit for the year for the continuing businesses was below break-even with a negative margin of -0.7% (2018: +2.0%). Overhead reduction and cost control are a main focus of the business as we adjust to the lower demand.

The Group operates two foundries, at Walsall and Scunthorpe, each with a different specialisation. Our foundry at Walsall is our main operation and drives the majority of the foundry division's sales. Walsall's expertise is in producing small castings, typically below 3kg in weight, which have complex internal geometry. The complex geometry is achieved through the use of innovative core 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 increased as we continued to work to deepen and broaden customer relationships, and to achieve competitive pricing by means of operational efficiency.

Engineering

The sale of our Exidor business was a key event in the year. The headline consideration of £10m (giving rise to a profit on sale of £6.2m) allowed the Group to strengthen its balance sheet and make a one-off cash contribution into our closed final salary pension fund of £2.5m.

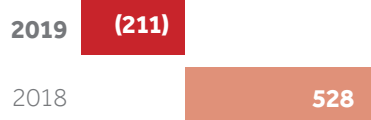
Petrel, our remaining engineering business, has a well-established reputation for designing and manufacturing high-quality lighting and control equipment for use in hazardous or demanding environments. It supplies customers across the UK and Europe as well as internationally. Revenues decreased by 3.8% year-on-year mainly due to concerns over Brexit by our customers but the business managed to grow profits by 9.6%, mainly due to excellent cost control. The transition to LED lighting provides growth opportunities and continues to be a main focus as well as developing the business' portable light fittings range.

PERFORMANCE REVIEW

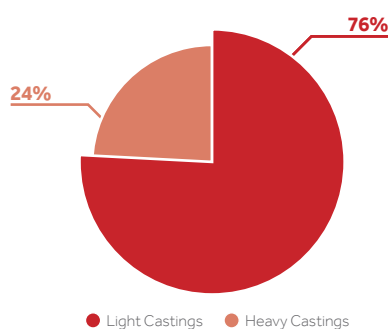
FOUNDRY DIVISION

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

Operating profit



Revenue split



Financial Matters and Outlook

Chamberlin has adopted IFRS 16 'Accounting for Right-of-Use Assets' early and the effect has been an increase in the reported net debt of £751k. Including this reclassification, net debt at the year-end was £5.4m compared to £9.6m in the prior year.

Following the cash injection into the pension fund it is now 86% funded on the IAS 19 accounting basis.

During the year the carrying value of our fixed assets was reviewed, and a non-cash impairment charge was made where the value of the asset could not be supported by the current level of business.

Cash is, and will remain, a key performance measure for the Group.

Looking to the new financial year, near-term lower volumes from the automotive market will result in lower revenues. Petrel faces a prospective business move during the year, involving

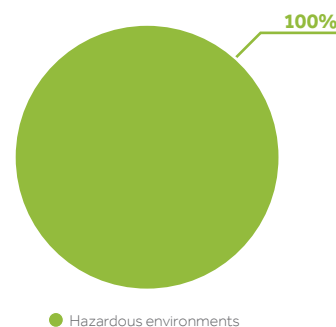
ENGINEERING DIVISION

OUR ENGINEERING SITE PRODUCES LIGHTING AND CONTROL EQUIPMENT FOR USE IN HAZARDOUS AND EXPLOSIVE ENVIRONMENTS.

Operating profit



Revenue split



some one-off cash outflows. We are continuing to work with our customers on new projects that will increase the sales opportunity in future years. The major focus in the next financial year will be reducing costs to match the lower level of output and on improving margins, in addition to developing opportunities for revenue growth.

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

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		FOUNDRIES	ENGINEERING	GROUP Year ended 31 March 2019
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.	(0.7) 2019 (0.7) 2018 2.0	6.9 2019 6.9 2018 6.1	(2.7) 2019 (2.7) 2018 (1.0)
CASH FLOW (£000) (£M)	The net decrease/ (increase) in net debt.			4.2 2019 4.2 2018 (2.1)
RETURN ON NET ASSETS (%)	The ratio of the segment's trading profit to the segment's net assets (as analysed in Note 3).	(1.9) 2019 (1.9) 2018 4.1	41.4 2019 41.4 2018 37.3	(18.2) 2019 (18.2) 2018 (10.0)
SALES PER EMPLOYEE (£000)	The ratio of the segment's sales to the segment's average number of employees.	104.1 2019 104.1 2018 101.1	109.5 2019 109.5 2018 110.5	100.8 2019 100.8 2018 98.2
ACCIDENT FREQUENCY RATE	The number of accidents per 100,000 hours worked averaged for the full year.	17.0 2019 17.0 2018 15.8	2.2 2019 2.2 2018 4.9	13.2 2019 13.2 2018 12.3

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 11 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 11.

Risk	Description of Risk & Potential Impact	Mitigation
Brexit/Foreign currency fluctuation	Approximately 63% 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 regulator action.	Established processes are in place to ensure that health, safety and environmental matters are appropriately addressed and any such risks are minimised including monthly reporting to, and review at the Executive Committee. Specialist HSE employees 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 customers 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 an 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 24 to the financial statements.

The Strategic Report, which comprises pages 4 to 7, together with the commentary on the primary statements on pages 21 to 27, has been approved by the Board of Directors and signed on their behalf by:

KEVIN NOLAN
CHIEF EXECUTIVE
3 June 2019

GOVERNANCE

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THE BOARD

EXECUTIVE DIRECTORS



KEVIN NOLAN

Aged 62, Kevin joined the Board and was appointed Chief Executive on 9 September 2013. Kevin has over 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.



NEIL DAVIES

Aged 51, Neil joined the Board and was appointed Finance Director on 10 December 2018. Neil has over 20 years' experience in senior finance roles within high volume manufacturing. He joined Chamberlin from International Automotive Components Group, the international supplier of interior systems and components to the global automotive sector, where he was Finance Director for six years. Prior to that, he was UK Finance Director of Mann+Hummel UK Ltd, the German manufacturing group. In his earlier career, Neil worked in the petro-chemical sector, most notably for Shell, Air Products and Invensys. Neil, a member of the Chartered Institute of Management Accountants, is also the Company Secretary.

INDEPENDENT NON-EXECUTIVE DIRECTORS



KEITH BUTLER-WHEELHOUSE

Aged 73, Keith joined the Board and was appointed Non-Executive Chairman in March 2012. He was previously Chief Executive of Smiths Group plc, Saab Automobile Sweden and Delta Motor Corporation South Africa. He is currently Non-Executive Director of Plastics Capital plc and previously served as a Non-Executive Director with Atlas Copco AB, General Motors Europe, J Sainsbury plc and NIU Solutions.



KEITH JACKSON

Aged 70, 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 currently Chairman of a number of pension funds. Keith is Senior Independent Director and Chairman of the Audit Committee.



DAVID FLOWERDAY

Aged 66, David joined the Board in April 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 Committees.

CORPORATE GOVERNANCE REPORT

Governance Statement

The Group has adopted the Quoted Companies Alliance ('QCA') corporate governance code following the recent changes to the AIM rules which require all AIM companies to comply with a recognised corporate governance code. Details of the Group's compliance with the code are set out below:

1. Establish a strategy and business model which promotes long-term value for the shareholders

Chamberlin is a well-established specialist provider of small and large castings in the Tier 2 automotive sector (automotive turbocharger market) and high-quality lighting and control equipment.

The Group has a strong revenue model with the majority of revenue arising from recurring agreements.

Further details are provided in the Chairman's Statement, Chief Executive's Business Review and Strategic Report.

2. Seek to understand and meet shareholder needs and expectations

Chamberlin highly values regular two-way engagement with Shareholders to discuss strategy and performance levels. The Executive Directors invest considerable time in ensuring both current and potential future investors have the opportunity to fully understand the business alongside being able to understand the needs of investors and analysts.

We offer to meet with all institutional investors that wish to do so at least twice a year in the results period. These meetings include a presentation of the latest financial performance, a wider business update and discussion of the longer-term plan. These meetings are normally attended by the Group Chief Executive and Group Finance Director. We also welcome engagement with our key shareholders throughout the year.

We answer and respond to any shareholder calls or correspondence on an individual and personal basis as they are received and then endeavour to keep in contact with the Shareholder.

The AGM presents the main opportunity for engagement with private Shareholders. This meeting is typically well attended by the Board and often several senior managers from across the business.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The main mechanisms for wider stakeholder engagement and feedback can be summarised as follows:

Customers

We have dedicated staff in each of the businesses that are responsible for customer relationships. In addition the technical support and development teams will regularly engage with customers as a fundamental part of delivering ongoing services. Through these well-established channels, Chamberlin can ensure that the needs of our customers are fully understood. We are then well positioned to initiate appropriate actions in response.

Suppliers

The third party supply base can be the key to the success of the Chamberlin business. As such, there are processes in place within each of the business units to actively manage supplier relationships in the normal course of business, taking appropriate feedback and developing actions as necessary.

Employees

Regular staff briefings are held at all of our main offices which are normally attended by at least one Executive Director. These serve not only as a valuable opportunity to keep staff up to speed with the overall Group, but also as an important mechanism for staff to provide feedback.

Community

Chamberlin actively engages with the local community where practical. We are firm believers in supporting the local economies in which we operate and therefore always look to employ local people and engage local trades where possible.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Financial control

The Group has an established framework of financial controls, the effectiveness of which is reviewed regularly by senior management, the Board and the Audit Committee. The Audit Committee report for the year can be found on page 74. Key areas of control are as follows:

- The Board has responsibility for approving all annual budgets, longer-term strategy and plans, dividend policy, financial and funding structure of the Group and any material investments.
- Key performance metrics are reported to the Executive Directors daily, including invoicing, sales orders, order book and cash.
- Financial performance on a monthly basis is reported to the Board comparing to forecast, budget and prior year.
- There is a comprehensive forecast process in place providing the Board with an updated view of the likely performance for the financial year on a monthly basis (in the absence of ad hoc material events) including revenue, profit and cash.
- Monthly management meetings are held with each business in the Group, chaired by the Group Chief Executive.
- A robust system of controls exist to cover all types of cost including recruitment, promotions, salary costs and capital expenditure. All payments are approved by senior finance staff.
- Return on investment and payback are tracked for all prior acquisitions as well as other types of investments. These are reported to the Board on a monthly basis.

Other controls

The Board continually reviews whether the system of controls and risk management in place is appropriate for the size, complexity and risk profile of the Group. The controls currently in place include:

- Monthly management meetings for each business, chaired by the Group Chief Executive and attended by the Group Finance Director, provide the mechanism for reporting any identified risks and setting required actions to mitigate. Any risks of a material nature are then reported to the Board through the monthly Board Meeting. These meetings incorporate a monthly Health and Safety review meeting in which each site responsible officer reports on current status against set criteria. A monthly health and safety dashboard is also reported to the Board. These mechanisms facilitate ensuring each site has appropriate roles and processes in place including first aiders, fire wardens, regular fire alarm tests and regular health and safety checks.
- All contracts are approved by the Finance Director prior to signing.
- Dedicated resource and appropriate tools are in place that proactively monitor the Group's IT infrastructure to ensure high levels of security are maintained, as well as looking to continually improve. This is reviewed at regular intervals with the Group Finance Director.

A summary of the Group's principal risks, potential impact and mitigations are included in the Strategic Report.

Summary of attendance at meetings

	Board meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings in the year	10	1	2	2
Keith Butler-Wheelhouse	10	1	2	2
Neil Davies*	4	1	n/a	n/a
Keith Jackson	10	1	2	2
David Flowerday	10	—	2	2
Kevin Nolan	10	1	n/a	n/a
David Roberts**	7	—	n/a	n/a

* appointed as Company Secretary and Director on 10 December 2018

** resigned as Company Secretary and Director on 10 December 2018

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

By order of the Board

NEIL DAVIES

COMPANY SECRETARY

3 June 2019

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 2019 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 scheme. The key features of the scheme are summarised on page 13:

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 2019 £000	2018 £000
Executive					
Kevin Nolan*	221	2	21	244	249
David Roberts**	120	1	(5)	116	174
Neil Davies***	49	—	15	64	—
Non-Executive					
Keith Butler-Wheelhouse	75	—	—	75	75
Keith Jackson	30	—	—	30	30
David Flowerday	30	—	—	30	—
David Nicholas****	—	—	—	—	20
Total 2019	525	3	31	559	548
Total 2018	501	3	44	—	548

* Highest paid director in 2019 and 2018

** Resigned 10 December 2018.

The bonus in 2019 is a credit as part of prior year awards were deferred and dependent on a performance criteria.

The criteria has not been met and the bonus forfeited.

*** Appointed 10 December 2018

**** Resigned 28 November 2017

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 25.

Directors' Pensions

No retirement benefits accrued during the year, or prior years, to Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2018: nil) which is a closed defined benefit scheme.

Contributions into personal pension plans

	Percentage of basic salary	Contribution paid 2019 £000	Contribution paid 2018 £000
K Nolan	10%	21	21
D Roberts*	10%	11	15
N Davies**	10%	5	–

* Resigned 10 December 2018.

** Appointed 10 December 2018

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

Directors' Options

	31 March 2018	Granted in year	Exercised in year	Lapsed or forfeited in year	31 March 2019	Option exercise price	Exercisable between
Kevin Nolan	207,363	–	–	–	207,363	25.0p*	14.12.19 – 14.12.2026
		216,616			216,616	97.5p	19.06.21 – 19.06.2028
David Roberts	142,637	–	–	(142,637)	–	25.0p*	14.12.19 – 14.12.2026
		149,390	–	(149,390)	–	97.5p	19.06.21 – 19.06.2028
	350,000	366,006	–	(292,027)	423,979		

* These options were initially granted at a nil exercise price. The options were with the agreement of the holders reissued during 2019 at a 25p exercise price.

A Share Option Plan ('SOP') has issued a fourth tranche of share options during the year. This fourth tranche of share options are exercisable at 97.5p. 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 the time of granting. The proportion of awards that become exercisable varies on a straight-line basis, from 20% to 100%, depending upon the average share price in the three-month period ending on the anniversary of the date of grant. A share price of 80p is required for 20% of the options to be exercisable and 120p for 100% of the options to be exercisable.

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

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

No share options have been exercised in 2019 or 2018.

There have been no changes in the interests set out above between 1 April 2019 and 3 June 2019.

The mid-market price of the shares at 31 March 2019 was 41.0p and during the year ranged between 41.0p and 101.5p.

On behalf of the Board

DAVID FLOWERDAY

CHAIRMAN, REMUNERATION COMMITTEE

3 June 2019

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2019.

The Company is registered in England and its registration number is 00076928.

(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 2019	Year to 31 March 2018
Foundries	282	261
Engineering	33	34
Head office*	12	12
Group	327	307

* includes three 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;
- 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. 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 13 to the accounts.

Financial instruments

The Company's policy in respect of financial instruments is disclosed in Note 24.

Dividends

The Directors do not recommend the payment of a final dividend (2018: nil p). No interim dividend (2018: 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 12 to 13.

See Board of Directors on page 9 for details of all Directors who served 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 2019 Number of shares	At 31 March 2018 Number of shares
Keith Butler-Wheelhouse	120,127	120,127
Neil Davies (appointed 10 Dec 2018)	–	–
David Flowerday	–	–
Keith Jackson	13,525	13,525
Kevin Nolan	–	–
David Roberts (resigned 10 Dec 2018)	–	5,000

There have been no changes in the interests of the Directors set out above between 1 April 2019 and 3 June 2019.

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 £656,545 (which represents approximately 33% of the issued share capital of the Company as at 3 June 2019). 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 3 June 2019.

Authority to purchase own shares

At the Annual General Meeting in 2018, 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 3 June 2019.

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 79 and 80.

DIRECTORS' REPORT CONTINUED

Substantial Shareholders

At 3 June 2019 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	12.4
Janus Henderson Investors	791,000	9.9
Armstrong Investments Limited	540,000	6.8
Chelverton Asset Management	500,000	6.3
R J Keeling Esq	433,800	5.5
Schroder Investment Management	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
Barclays Stockbrokers Limited	265,992	3.3

At the Annual General Meeting to be held on 23 July 2019 (see the Notice of Annual General Meeting on pages 78 to 79), 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;
- 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 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 £7.75m ongoing invoice discounting facility and finance leases of £4.0m repayable over five years. As a consequence, the Directors believe that the Group is well placed to manage its business and financial risks successfully.

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

Matters covered in the Strategic Report

Key performance indicators and principal risks have been covered in the Strategic Report

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 9. Having made enquiries of fellow Directors and of the Company's Auditor, each of these Directors confirms 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.

Post Balance Sheet Events

There have been no post balance sheet events.

Auditor

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

By order of the Board

NEIL DAVIES

COMPANY SECRETARY

3 June 2019

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INTRODUCTION



NEIL DAVIES FINANCE DIRECTOR

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.

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

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 of 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 clear understanding of what drives the financial performance of the Group.

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

NEIL DAVIES

FINANCE DIRECTOR

03 June 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019			Year ended 31 March 2018		
		Underlying £000	Non- underlying* £000	Total £000	Underlying £000	Non- underlying* £000	Total £000
Revenue	3	32,958	–	32,958	30,153	–	30,153
Cost of sales		(29,192)	–	(29,192)	(25,474)	–	(25,474)
Gross profit		3,766	–	3,766	4,679	–	4,679
Other operating expenses	4	(4,652)	(3,572)	(8,224)	(4,995)	(324)	(5,319)
Operating loss		(886)	(3,572)	(4,458)	(316)	(324)	(640)
Finance costs	6	(387)	(112)	(499)	(346)	(126)	(472)
Loss before tax		(1,273)	(3,684)	(4,957)	(662)	(450)	(1,112)
Tax (expense)/ credit	8	(63)	111	48	(324)	85	(239)
Loss for the year from continuing operations		(1,336)	(3,573)	(4,909)	(986)	(365)	(1,351)
Discontinued operations	9						
Profit for the year from discontinued operations		–	6,435	6,435	–	538	538
(Loss)/ profit for the year attributable to equity holders of the parent company		(1,336)	2,862	1,526	(986)	173	(813)
Loss per share from continuing operations:							
Basic	10	–	–	(16.8)p	–	–	(12.4)p
Diluted	10	–	–	(16.8)p	–	–	(12.4)p
Earnings per share from discontinued operations:							
Basic	10	–	–	80.9p	–	–	6.8p
Diluted	10	–	–	80.9p	–	–	6.8p
Total earnings / (loss) per share:							
Basic	10	–	–	19.2p	–	–	(10.2)p
Diluted	10	–	–	19.2p	–	–	(10.2)p

* Underlying figures are stated before exceptional items (GMP equalisation, impairment of fixed assets and onerous leases) and non-underlying costs (administration costs of the pension scheme, net financing costs on pension obligations and share based payment costs) together with the associated tax impact (see Note 11).

COMMENTARY ON THE CONSOLIDATED INCOME STATEMENT

Overview

Sales from continuing operations increased by 9.3% during the year to £33.0m (2018: £30.2m). Gross profit margin decreased to 11.4% from 15.5% in 2018.

Underlying operating loss before tax increased to £1.3m (2018: £0.7m).

The IFRS results show a profit for the year of £1.5m (2018: loss of £0.8m) which includes an asset impairment of £3.0m (2018: nil) and a statutory profit per share of 19.2p (2018: loss per share of 10.2p).

Non-underlying exceptional items

Exceptional items in the year included £0.1m (2018: £0.1m) relating to the realignment of the cost base of the Group, £3.0m for the impairment of assets and £0.3m for Guaranteed Minimum Pension ('GMP') equalisation.

Tax

The effective rate of taxation at Group level was 1% primarily due to the impairment loss and profit from the sale of Exidor, both being exempt from tax. The tax position will be aided in the coming years through the reduced rate of tax to 17% and as we utilise elements of losses carried forward.

Cash generation and financing

Operating cash outflow from continuing operations was £0.9m (2018: inflow of £0.8m) excluding the £2.5m one-off payment into the Group's defined benefit pension scheme.

Capital expenditure for the year decreased to £1.2m (2018: £2.7m) excluding £0.8m on leased assets included under IFRS 16. Depreciation and amortisation amounted to £1.8m (2018: £1.3m) for the year.

Our net proceeds from the sale of subsidiary was £8.5m with £2.5m paid towards the pension deficit. Net debt as at 31 March 2019 decreased by £4.2m (2018: increase of £2.1m).

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 63% 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 63% of the Group's revenues are denominated in Euros. During the year to 31 March 2019 the average exchange rate used to translate into GBP sterling was €1.13 (31 March 2018: €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 £0.2m in 2019 (2018: £0.3m), and is shown in non-underlying results. The Group cash contribution during the year was £0.2m (2018: £0.3m) in addition to a special one-off payment of £2.5m following the sale of Exidor.

The Group operates a defined contribution pension scheme for its current employees. The cost of £0.2m (2018: £0.2m) is included within underlying operating performance.

A Guaranteed Minimum Pension ('GMP') equalisation review was undertaken resulting in an increase in the pension liability of £295,000. The IAS 19 deficit at 31 March 2019 was £2.6m (2018: £5.1m).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £000	2018 £000
Profit/ (loss) for the year		1,526	(813)
Other comprehensive income			
Reclassification for cash flow hedge included in sales		–	(18)
Movements in fair value on cash flow hedges taken to other comprehensive income		134	87
Deferred tax on movement in cash flow hedges	8	(23)	(12)
Net other comprehensive income that may be recycled to profit and loss		111	57
Re-measurement gain/(loss) on pension assets and liabilities	21	76	(8)
Deferred/ current tax (expense)/ credit on re-measurement losses on pension scheme	8	(15)	2
Net other comprehensive income/ (expense) that will not be recycled to profit and loss		61	(6)
Other comprehensive income for the year net of tax		172	51
Total comprehensive income/ (expense) for the period attributable to equity holders of the parent company		1,698	(762)

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 IAS 1, 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 2019 (2018: profit of £0.1m).

Remeasurement 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 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 1 April 2018	1,990	1,269	109	(15)	(197)	3,156
Profit for the year	–	–	–	–	1,526	1,526
Other comprehensive income for the year net of tax	–	–	–	111	61	172
Total comprehensive income	–	–	–	111	1,587	1,698
Share based payment	–	–	–	–	40	40
Deferred tax on employee share options	–	–	–	–	(26)	(26)
Total of transactions with Shareholders	–	–	–	–	14	14
Balance at 31 March 2019	1,990	1,269	109	96	1,404	4,868

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 certain items from the Statement of Comprehensive Income attributable to equity Shareholders, less distributions to Shareholders.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Property, plant and equipment	12	7,769	12,454
Intangible assets	13	290	427
Deferred tax asset	17	906	1,136
		8,965	14,017
Current assets			
Inventories	14	2,702	3,551
Trade and other receivables	15	6,052	7,985
Cash at bank		291	–
		9,045	11,536
Total assets		18,010	25,553
Current liabilities			
Financial liabilities	16	2,683	7,091
Trade and other payables	16	4,600	7,465
		7,283	14,556
Non-current liabilities			
Financial liabilities	17	2,966	2,538
Deferred tax	17	53	23
Provisions	17	200	200
Defined benefit pension scheme deficit	21	2,640	5,080
		5,859	7,841
Total liabilities		13,142	22,397
Capital and reserves			
Share capital	18	1,990	1,990
Share premium		1,269	1,269
Capital redemption reserve		109	109
Hedging reserve		96	(15)
Retained earnings		1,404	(197)
Total equity		4,868	3,156
Total equity and liabilities		18,010	25,553

KEVIN NOLAN

NEIL DAVIES

DIRECTORS

The accounts were approved by the Board of Directors on 3 June 2019

COMMENTARY ON THE CONSOLIDATED BALANCE SHEET

Net Debt

Net debt at the year-end was £5.4m compared to £9.6m at the end of the previous year (including £751k of additional liabilities (right-of-use) recognised on transition to IFRS 16 in the year). Total committed bank facilities available to the Group at the year-end was £11.8m (2018: £11.9m) of which £5.4m (2018: £9.6m) was drawn.

Property, plant and equipment (PPE)

The net book value of the Group's investment in PPE at 31 March 2019 was £7.8m following an impairment to assets of £3.0m. Capital expenditure on PPE of £1.2m (2018: £2.7m) represented 70% (2018: 207%) of depreciation of £1.7m (2018: £1.4m).

Cash generation and financing

Operating cash outflow from continuing operations was £2.9m (2018: inflow of £1.3m). This included a one-off contribution made to the pension scheme of £2.5m.

Capital expenditure for the year decreased to £1.2m (2018: £2.7m) excluding £0.8m for leased assets included under IFRS 16.

Our overdraft and net borrowings at 31 March 2019 decreased to £5.4m (2018: £9.6m).

The Group debt facility has two elements: a £7.75m invoice discounting facility and finance leases of £4.0m.

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 2019, 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 13% of annual sales (2018: 11%) as at year-end.

Overdue receivables at 31 March 2019 represented 19.7% (2018: 3.6%) of trade receivables.

Pensions

The Group has one defined benefit pension scheme which is closed to future accrual. In addition the Group operates a defined contribution pension scheme for its current employees.

The deficit for the defined benefit obligations at 31 March 2019 was £2.6m (2018: £5.1m).

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 £0.2m in 2019 (2018: £0.3m), and is shown in non-underlying in the income statement. The Group cash contribution during the year was £0.2m (2018: £0.3m) plus the one-off contribution of £2.5m.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Operating activities			
(Loss) for the year before tax		(4,957)	(1,112)
<i>Adjustments to reconcile (loss) for the year to net cash (outflow)/ inflow from operating activities:</i>			
Net finance costs excluding pensions	6	387	347
Impairment charge on property, plant and equipment	11,12	3,043	-
Depreciation of property, plant and equipment	12	1,688	1,280
Amortisation of software	13	59	50
Amortisation and impairment of development costs	13	25	10
Profit on disposal of property, plant and equipment		-	5
Share based payments	19	40	46
One-off contribution made to defined benefit pension scheme	21	(2,500)	-
Remaining difference between pension contributions paid and amounts recognised in the Consolidated Income Statement	21	136	(137)
(Increase)/ decrease in inventories		(388)	74
Decrease/ (increase) in receivables		419	(315)
(Decrease)/ increase in payables		(1,331)	543
Cash (outflow)/ inflow from continuing operations		(3,379)	791
Cash inflow from discontinued operations	9	491	509
Net cash (outflow)/ inflow from operating activities		(2,888)	1,300
Investing activities			
Purchase of property, plant and equipment	12	(1,188)	(2,726)
Purchase of software	13	-	(16)
Development costs	13	(22)	(24)
Proceeds from sale of subsidiary	9	8,520	-
Cash and cash equivalents disposed	9	(1,146)	-
Investing activities from discontinued operations	9	(125)	(207)
Net cash inflow/ (outflow) from investing activities		6,039	(2,973)
Financing activities			
Interest paid	6	(387)	(347)
Repayment of asset loan		-	(175)
Net invoice finance (outflow)/ inflow		(1,832)	918
Import loan (outflow)/ inflow		(873)	1,137
Import loan facility repayment		-	(1,235)
Finance lease payment		(781)	-
Finance lease additions		1,291	849
Financing activities from discontinued operations	9	207	257
Net cash (outflow)/ inflow from financing activities		(2,375)	1,404

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019 CONTINUED

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Net increase/ (decrease) in cash and cash equivalents	776	(269)
Cash and cash equivalents at the start of the year	(485)	(216)
Cash and cash equivalents at the end of the year	291	(485)
Cash and cash equivalents included in discontinued operations	–	572
Cash and cash equivalents for continuing operations	291	(1,057)
Cash and cash equivalents comprise:		
Cash at bank/ (overdraft)	291	(485)
	291	(485)

COMMENTARY ON THE CONSOLIDATED CASH FLOW STATEMENT

Operating cash flow

Operating cash outflow from continuing operations was £3.4m (2018: inflow of £0.8m) which included a £2.5m one-off payment to the Group's defined benefit pension scheme.

Net working capital balances were adverse £1.3m (2018: positive £0.3m) during the year.

Cash spent on property, plant and equipment and capitalised software and development costs in the year was £1.2m (2018: £2.7m) which was equivalent to 70% (2018: 207%) of depreciation and amortisation thereon.

Our net proceeds from the sale of subsidiary was £8.5m with £2.5m paid towards the pension deficit.

Closing net debt

Opening net debt was £9.6m after adjusting for IFRS 16 lease liabilities of £0.7m. After the net debt decrease in the year of £4.2m (2018: increase of £2.1m) closing net debt was £5.4m (2018: £9.6m).

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 31st March 2019 were authorised for issue by the Board of Directors on 3rd June 2019 and the balance sheets were signed on the Board's behalf by Kevin Nolan and Neil Davies. The Company is a public limited company incorporated and domiciled in England and 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 adopted by the European Union and as applied in accordance with the Companies Act 2006.

2 New standards adopted

Amended IFRS that have become effective in the period have had a material impact on the financial statements.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and applies to three aspects of accounting for financial instruments: classification and measurement of financial assets, impairment and hedge accounting. The Group adopted IFRS 9 for the current reporting period commencing 1st April 2018. There are no changes from previous practice; consequently, this standard did not have any impact on the results for the period.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a client. The Group adopted IFRS 15 for the current reporting period commencing 1st April 2018. There are no changes from previous practice; consequently, this standard did not have any impact on the results for the period.

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and lease liability at commencement for all leases, except for short-term leases and low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below. The date of initial application is 1st April 2018 and, consequently, there is no change of the previously reported 2018 Consolidated Income Statement.

The Group has applied IFRS 16 using the modified retrospective approach, recognising the cumulative effect of IFRS 16 as an adjustment to equity at the beginning of the current period and not restating prior period figures. The Group has used the practical expedients permitted by IFRS 16, including:

- Applying a single discount rate to leases with similar characteristics;
- Not applying the requirements to leases that end within 12 months of the date of application, and account for these leases as short-term lease expense.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all existing and new contracts from 1st April 2018. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will change the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Income Statement; and
- Separates the amount of cash paid into principal and interest and presents them separately within financing activities in the consolidated cash flow statement

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease terms of 12 months or less) and leases of low-values-assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the Consolidated Income Statement in Note 7.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be repayable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. This change did not have a material effect on the Group's consolidated financial statements.

Financial impact of initial application of IFRS 16

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated balance sheet at the date of initial application is 4.8%.

	As previously reported €000	IFRS 16 adjustment €000	As restated €000
Impact on assets, liabilities and equity as at 1 April 2018			
Property, plant and equipment			
Land and buildings – NBV	3,546	704	4,250
Plant and machinery – NBV	8,157	–	8,157
Motor vehicles – NBV	–	47	47
Total	11,703	751	12,454
Financial liabilities <1 year	6,989	102	7,091
Financial liabilities >1 year	1,889	649	2,538
Total	8,878	751	9,629

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 market. The products fall into the categories of 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/loss	
	2019 £000	2018 £000	2019 £000	2018 £000
Foundries	29,343	26,396	(211)	528
Engineering	3,615	3,757	251	229
Segment results	32,958	30,153	40	757
Reconciliation of reported segmental operating profit/(loss)				
Segment operating profit			40	757
Shared cost (excluding share based payment charge)			(926)	(1,073)
Exceptional and non-underlying costs (Note 11)			(3,684)	(450)
Net finance costs (Note 6)			(387)	(346)
Loss before tax			(4,957)	(1,112)
Segmental assets				
Foundries			15,244	18,320
Engineering			1,402	1,563
			16,646	19,883
Segmental liabilities				
Foundries			(3,840)	(5,522)
Engineering			(794)	(949)
			(4,634)	(6,471)
Segmental net assets				
Unallocated net liabilities			(7,144)	(12,564)
Unallocated/discontinued			–	2,308
Total net assets			4,868	3,156

Unallocated net liabilities in 2019 include the pension liability of £2,640,000, financial liabilities of £5,358,000 and deferred tax asset of £854,000.

Capital expenditure, depreciation, amortisation and impairment for continuing operations

	Foundries		Engineering		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Capital additions						
Property, plant and equipment	716	2,720	8	238	724	2,958
Software	–	9	–	7	–	16
Development costs	–	–	22	24	22	24
Depreciation, amortisation and impairment						
Property, plant and equipment	(1,458)	(1,208)	(49)	(217)	(1,507)	(1,425)
Software	(49)	(54)	(7)	(10)	(56)	(64)
Development costs	–	–	(18)	(10)	(18)	(10)

(ii) Geographical information

Revenue by location of customer	2019 £000	2018 £000
United Kingdom	12,203	10,292
Italy	3,743	5,835
Germany	3,124	4,100
Rest of Europe	13,024	9,291
Other countries	864	635
	32,958	30,153

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 11% of Group revenue (2018: 19%).

4 Other operating expenses

	2019 £000	2018 £000
Distribution costs	837	984
Administration and selling expenses	3,815	4,011
Operating expenses before exceptional items	4,652	4,995
Exceptional and non-underlying items (Note 11)	3,572	324
Operating expenses	8,224	5,319

SECTION 2

RESULTS OF THE YEAR CONTINUED

5 Staff numbers and costs

The average number of people employed by the Group during the year was:	2019 Number	2018 Number
Management and administration	46	47
Production	281	260
Total employees	327	307

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

	2019 £000	2018 £000
Wages and salaries	12,176	10,848
Social security costs	1,183	1,162
Other pension costs	423	321
Share based payment expense (Note 19)	40	46
	13,822	12,377

The average number of people employed by the Company during the year was:	2019 Number	2018 Number
Management and administration	12	12

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

	2019 £000	2018 £000
Wages and salaries	599	993
Social security costs	103	126
Other pension costs	52	50
Share based payment expense (Note 19)	40	46
	794	1,215

Directors' remuneration summary	2019 £000	2018 £000
Directors' remuneration	559	548
Company contributions to money purchase pension scheme	37	36
Share based payment charge/ (credit) of options granted to directors (see Note 19)	40	46

Number of directors accruing benefits under:	Number	Number
Defined contribution pension schemes	3	2

Directors' remuneration is analysed in detail in the Directors' Remuneration Report on pages 12 to 13.

The total amount payable to the highest paid director in respect of remuneration was £244,000 (2018: £250,000). Company pension contributions of £21,000 (2018: £21,000) were made to a money purchase pension scheme on his behalf.

6 Finance costs

	2019 £000	2018 £000
Bank overdraft interest payable	(335)	(346)
Interest expense on lease liabilities	(52)	–
Finance cost of pensions (see Note 21)	(112)	(126)
	(499)	(472)

7 Operating profit/ (loss)

This is stated after charging/(crediting):	2019 £000	2018 £000
Profit on disposal of fixed assets	–	(5)
Depreciation of owned assets	1,537	1,281
Depreciation of right-of-use assets	151	–
Amortisation of software	59	61
Impairment of fixed assets	3,043	–
Research and development expenditure (excluding capitalised development costs: Note 13)	–	55
Amortisation of development costs	25	10
Cost of inventories recognised as an expense	11,585	11,785
Exceptional costs (Note 11)	3,572	324
Exchange (gain)/ loss	(57)	127
Auditor's remuneration:		
Group audit fees	27	24
Audit fees for statutory accounts of subsidiaries	30	28
Audit related assurance services	7	6
Non-audit related services	–	–
Rentals under operating leases:		
Hire of plant and equipment	36	117
Motor vehicles	23	95
Land and buildings	91	205

8 Taxation

	2019 £000	2018 £000
Current tax:		
UK Corporation tax at 19% (2018: 19%)	697	(124)
Deferred tax:		
Origination and reversal of temporary differences	(386)	419
Adjustments in respect of prior years	(320)	(57)
Change in tax rate	(39)	1
	(745)	363
Tax (credit)/expense reported in the consolidated income statement	(48)	239

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 £nil (2018: £nil).

SECTION 2

RESULTS OF THE YEAR CONTINUED

8 Taxation continued

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

	2019 £000	2018 £000
Current tax:	–	–
Deferred tax:		
Retirement benefit obligation	15	(2)
Fair value movements on cash flow hedges	23	12
Change in tax rate	–	–
	38	10
Tax charge reported in the consolidated statement of comprehensive income	38	10

	2019 £000	2018 £000
Current tax:	–	–
Deferred tax:		
Employee share options	26	6
Tax charge reported in the consolidated statement of changes in equity	26	6

	2019 £000	2018 £000
Reconciliation of total tax charge		
Loss on ordinary activities before tax	(4,957)	(1,112)
Corporation tax charge at standard rate of 19% (2018: 19%) on loss before tax	(942)	(211)
<i>Adjusted by the effects of:</i>		
Expenses not deductible for tax purposes	1,370	87
Income not taxable	(245)	
Capital gain rolled over now crystallised	20	(10)
Timing differences	152	(15)
Deferred tax asset write off	(139)	445
Amounts (over)/ under provided in prior years		
– corporation tax	95	(7)
– deferred tax	(320)	(57)
Movement in deferred tax on change in corporation tax rate	(39)	1
Total tax (credit)/expense reported in the consolidated income statement	(48)	233

9 Discontinued operations

On 19 December 2018 Exidor Ltd was sold. As a result, the results of Exidor Ltd are classified as a discontinued operation and presented as such in these financial statements.

The balance sheet of Exidor Ltd at the date of disposal is summarised as follows:

	£000
Property, plant and equipment	1,135
Intangible assets	75
Deferred Tax	70
Inventories	1,491
Trade and other receivables	1,882
Cash and cash equivalents	1,146
Trade and other payables	(3,508)
Net assets disposed	2,291
Consideration	10,000
Working capital adjustment	(98)
Debt adjustment	(639)
Claim retention	(350)
	8,913
Disposal costs	(393)
Net cash received relating to disposal	8,520
Cash proceeds	8,520
Net assets disposed	(2,291)
Profit on disposal	6,229

Included in the consideration is a retention of £350,000 relating to a customer claim.

The results prior to 19 December 2018 for the discontinued operations included in the consolidated income statement were:

	2019 £000	2018 £000
Revenue	5,924	7,517
Operating profit	305	672
Finance costs	(23)	(31)
Profit before tax	282	641
Tax expense	(76)	(103)
Profit on disposal of discontinued operations	6,229	–
Profit after tax from discontinued operations	6,435	538

Exidor Ltd contributed the following to the Group's cashflows:

	2019 £000	2018 £000
Operating activities	491	509
Investing activities	(125)	(207)
Financing activities	207	257
	573	559

SECTION 2

RESULTS OF THE YEAR CONTINUED

10 (Loss)/ earnings per share

The calculation of (loss)/ earnings per share is based on the (loss)/ profit attributable to shareholders and the weighted average number of ordinary shares in issue.

In calculating the diluted (loss)/ earnings per share, adjustment has been made for the dilutive effect of outstanding share options. Underlying (loss)/ earnings per share, as analysed below, which excludes non-underlying items as defined in Note 27, summary of significant accounting policies, has also been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group.

Exceptional costs are detailed in Note 11.

	2019 £000	2018 £000
Continuing operations loss for basic earnings per share	(4,909)	(1,351)
Exceptional costs	3,113	60
Net financing costs and administration cost on pension obligations	531	344
Share based payment charge	40	46
Taxation effect of the above	(111)	(85)
Earnings for underlying earnings per share (continuing operations)	(1,336)	(986)
(Loss)/earnings per share (pence) from continuing operations:		
underlying	(16.8)	(12.4)
diluted underlying	(16.8)	(12.4)

	2019 £000	2018 £000
Discontinued operations earnings for basic earnings per share	6,435	538
Earnings for underlying earnings per share (discontinued operations)	6,435	538
Earnings per share (pence) from discontinued operations:		
basic	80.9	6.8
diluted	80.9	6.8
Total earnings/ (loss) per share (pence):		
basic	19.2	(10.2)
diluted	19.2	(10.2)

	2019 Number '000	2018 Number '000
Weighted average number of ordinary shares	7,958	7,958
Adjustment to reflect shares under options	716	350
Weighted average number of ordinary shares – fully diluted	8,674	8,308

As at 31 March 2019 and 31 March 2018 there is no adjustment in the total diluted loss per share calculation for the 716,000 (2018: 350,000) shares under option as they are required to be excluded from the weighted average number of shares for diluted loss per share as they are anti-dilutive for the period then ended.

11 Exceptional costs and non-underlying

	2019 £000	2018 £000
Group reorganisation	54	60
Asset impairment	3,043	–
Onerous leases	16	–
Share based payment charge	40	46
Defined benefit pension scheme administration costs	124	218
GMP Equalisation	295	–
Non-underlying other operating expenses	3,572	324
Finance cost of pensions	112	126
Total Non-underlying Exceptional costs before tax	3,684	450
Taxation		
– tax effect of exceptional and non-underlying costs	(111)	(85)
	3,573	365

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

The Group undertook an impairment review of two of its sites within the Foundry division which identified that assets were overstated by £3,043,000. Guaranteed Minimum Pension (GMP) equalisation review was undertaken resulting in an increase in the pension liability of £295,000.

SECTION 3

OPERATING ASSETS AND LIABILITIES

12 Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At 1 April 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
IFRS 16 right of use assets	704	–	47	751
Additions	22	1,091	75	1,188
Disposals	–	(8)	(8)	(16)
Disposal of subsidiary undertakings (Note 9)	(954)	(3,070)	(16)	(4,040)
At 31 March 2019	6,156	23,184	146	29,486
<i>Depreciation</i>				
At 1 April 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
Charge for year	331	1,328	29	1,688
Impairment charge	1,068	1,925	50	3,043
Disposals	–	(1)	(8)	(9)
Disposal of subsidiary undertakings (Note 9)	(378)	(2,511)	(16)	(2,905)
At 31 March 2019	3,859	17,755	103	21,717
<i>Net book value</i>				
At 31 March 2019	2,297	5,429	43	7,769
At 31 March 2018	3,546	8,157	–	11,703
At 1 April 2017	3,705	6,474	–	10,179

Included within plant and machinery are assets with net book value of £4,237,000 (2018:£2,962,000) relating to assets held under finance leases.

Net book value of land and buildings comprises:	2019 £000	2018 £000
Freehold	2,297	3,433
Short leasehold (leasehold improvements)	–	113
	2,297	3,546

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Right-of-use assets Net book value included in the above comprise:				
At 1 April 2018	704	–	47	751
At 31 March 2019	633	245	94	972
Company	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2017	1,670	93	–	1,763
Additions	–	4	–	4
At 31 March 2018	1,670	97	–	1,767
IFRS right of use assets	–	–	47	47
Additions	–	1	75	76
Disposals	–	–	–	–
At 31 March 2019	1,670	98	122	1,890
Depreciation				
At 1 April 2017	897	66	–	963
Charge for year	28	8	–	36
Disposals	–	–	–	–
At 31 March 2018	925	74	–	999
Charge for year	27	6	79	112
Disposals	–	–	–	–
At 31 March 2019	952	80	79	1,111
Net book value				
At 31 March 2019	718	18	43	779
At 31 March 2018	745	23	–	768
At 1 April 2017	773	27	–	800
			Group £000	Company £000
Freehold land included above not subject to depreciation amounted to:				
2019			275	275
2018			275	275

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

12 Property, plant and equipment continued

Impairment testing

The Group has identified indications of impairment at two of its cash generating units (CGUs), 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 profitability and the losses generated are the impairment indications which have led to the impairment review being performed.

Impairment has been assessed by comparing the book value of assets against their recoverable amounts. The recoverable amount of a CGU's assets is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cashflow projections from financial budgets approved by the Board. The projected cashflows reflect the latest expectations of demand for products in year 1 and 2 and are extrapolated to year 10 using a 2.0% growth rate that is the long-term growth rate of the UK economy. The projected cashflows reflect an expected return to profitability in 2019/20 and a full realisation of cost saving programmes that require a certain gestation period to fully mature. The key sensitivities around these projections are the return of sales volumes and the full fruition of cost saving initiatives.

The key assumptions in these calculations are the long-term growth rates and discount rate applied to the forecast cashflows in addition to the achievement of the forecasts themselves. The long term growth rate used is based on economic forecasts of the long-term growth rate for the UK. The pre-tax discount rate used is based on the Group pre-tax weighted average cost of capital of 9.8%.

It was concluded that the recoverable amount of the CGU was lower than the book value of the CGU's assets and as such an impairment charge of £3.0m is deemed necessary.

13 Intangible assets

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Software	203	272	2	3
Development costs	87	155	–	–
	290	427	2	3

Software	Group £000	Company £000
<i>Cost</i>		
At 1 April 2017	992	27
Additions	16	–
At 31 March 2018	1,008	27
Disposal of subsidiary undertakings (Note 9)	(33)	–
At 31 March 2019	975	27
<i>Amortisation/ impairment</i>		
At 1 April 2017	672	23
Charge for the year	64	1
At 31 March 2018	736	24
Charge for year	59	1
Disposal of subsidiary undertakings (Note 9)	(23)	–
At 31 March 2019	772	25
<i>Net Book Value</i>		
At 31 March 2019	203	2
At 31 March 2018	272	3
At 1 April 2017	320	4

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

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

13 Intangible assets continued

Development costs capitalised	Group £000	Company £000
Cost		
At 1 April 2017	400	–
Additions	24	–
At 31 March 2018	424	–
Additions	22	–
Disposal of subsidiary undertakings (Note 9)	(86)	–
At 31 March 2019	360	–
Amortisation/ impairment		
At 1 April 2017	259	–
Charge for year	10	–
At 31 March 2018	269	–
Charge for year	25	–
Disposal of subsidiary undertakings (Note 9)	(21)	–
At 31 March 2019	273	–
Net Book Value		
At 31 March 2019	87	–
At 31 March 2018	155	–
At 1 April 2017	141	–

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.

14 Inventories

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Raw materials	911	1,270	–	–
Work in progress	812	941	–	–
Finished goods	979	1,341	–	–
	2,702	3,551	–	–

Stock recognised in cost of sales during the period as an expense was £11,585,000 (2018: £11,785,000)

15 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	5,189	6,773	112	–
Amounts due from subsidiary undertakings	–	–	3,761	156
Other receivables	232	668	39	70
Corporation tax	165	–	132	107
Prepayments	466	544	14	28
	6,052	7,985	4,058	361

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 2019 of £5,189,000 (2018: £6,773,000) of which an invoice finance liability of £1,628,000 (2018: £4,740,000) was secured against. The total available invoice finance facility as at 31 March 2019 was £7,750,000 (2018: £7,000,000).

Trade receivables are denominated in the following currencies:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Sterling	2,722	3,728	–	–
Euro	2,467	2,955	–	–
US Dollar	–	90	–	–
	5,189	6,773	–	–

Out of the carrying amount of trade receivables of £5,189,000 (2018: £6,773,000), £4,181,000 (2018: £3,443,000) 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 2019 trade receivables at a nominal value of £345,000 (2018: £23,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
At 1 April 2018	23	6	–	–
Disposal of Exidor Ltd	(6)	–	–	–
Charge for year	203	17	–	–
Amounts written off	(6)	–	–	–
Provision increase	131	–	–	–
At 31 March 2019	345	23	–	–

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

15 Trade and other receivables continued

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
2019	5,189	4,166	707	90	186	31	9
2018	6,773	6,528	207	21	2	14	1

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	
	2019 €000	2018 €000	2019 €000	2018 €000
Debtors where external credit ratings have been sought	4,986	6,680	–	–
Debtors where internal credit assessments have been made	203	93	–	–
	5,189	6,773	–	–

Of the balance in respect of counterparties with internal ratings 3% (2018: 2%) is in respect of new customers, and 97% (2018: 98%) existing customers with no history of defaults.

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

	Group		Company	
	2019 €000	2018 €000	2019 €000	2018 €000
Income taxes receivable				
UK corporation tax	165	–	132	107

16 Current liabilities

Financial liabilities	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank overdraft	–	485	23	1,772
Invoice finance facility	1,628	4,740	–	–
Import loan facility	–	1,137	–	–
Finance lease liability (right of use)	184	–	34	–
Current instalments due on finance leases	871	627	–	–
	2,683	6,989	57	1,772

The overdraft which was held with HSBC Bank plc as part of the Group net facility was reviewed in December 2018 as part of the Exidor disposal and was fully settled.

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 2019 was £7,750,000 (2018: £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.

Trade and other payables	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade payables	2,665	4,669	71	–
Amounts owed to other Group companies	–	–	527	–
Other taxation and social security	432	600	31	33
Other payables	499	208	403	24
Accruals	1,004	1,970	268	510
Fair value of derivative forward contracts	–	18	–	–
	4,600	7,465	1,300	567

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

SECTION 3

OPERATING ASSETS AND LIABILITIES CONTINUED

17 Non current liabilities

	Group		Company	
Financial liabilities	2019 £000	2018 £000	2019 £000	2018 £000
Instalments due on finance leases	2,175	1,889	59	–
Finance lease liability (right of use)	791	–	–	–
	2,966	1,889	59	–

Finance leases are secured against the specific item to which they relate. These leases are repayable by monthly instalments for a period of five (2018: five) years to January 2024. £870,000 is repayable in 1-2 years (2018: £609,000), £1,303,000 within 2-5 years (2018: £1,280,000) and £nil in greater than 5 years (2018: £nil). Interest is payable at a fixed amount that ranges between 3.1% and 6.2%.

Provisions for liabilities	Dilapidations £000
As at 1 April 2018	200
Charge for the year	–
As at 31 March 2019	200

Dilapidations

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

	Group		Company	
Deferred tax liabilities	2019 £000	2018 £000	2019 £000	2018 £000
Deferred taxation	53	23	33	6

Group liabilities	2019 £000	2018 £000
Temporary differences relating to share options	20	6
Fair Value Hedges	33	–
Capital gains rolled over	–	17
	53	23

	Group		Company	
Deferred tax assets	2019 £000	2018 £000	2019 £000	2018 £000
Temporary differences relating to capital allowances	119	239	15	13
Temporary differences relating to pension scheme deficit	448	864	448	864
Temporary differences relating to cash flow hedges	–	3	–	–
Other temporary differences	339	30	354	23
	906	1,136	817	900

A deferred tax asset is recognised in respect of tax losses carried forward only to the extent that there is a reasonable expectation that the losses will be recoverable within the foreseeable future.

Group tax losses carried forward for which a deferred tax asset has not been recognised total £669,000 (2018: £579,000). 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 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 credit of £681,000 (2018: £379,000 charge), a credit of £745,000 (2018: charge of £363,000) was recognised within the consolidated income statement, a charge of £38,000 (2018: £10,000) was recognised within other comprehensive income and a charge of £26,000 (2018: £6,000) recognised within the consolidated statement of changes in equity.

SECTION 4

CAPITAL STRUCTURE

18 Share capital

Allotted, called up and fully paid	2019 £000	2018 £000
7,958,126 (2018: 7,958,126) Ordinary shares of 25p	1,990	1,990

During the year no shares (2018: none) were issued to directors to satisfy share options at nil (2018: nil) cost.

During the year 292,027 share options lapsed (2018: 600,000), 366,006 were granted (2018: nil) and none (2018: none) were forfeited.

19 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.

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 1 April 2017	950,000	97.7	5.3
Granted	—	—	—
Lapsed	(600,000)	97.7	8.3
At 1 April 2018	350,000	25.0	7.7
Granted	366,006	97.5	9
Lapsed	(292,027)	62.1	8.5
At 31 March 2019	423,979	62.1	8.5

Nil (2018: 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 2019, the total fair value of options was £149,000 (2018: £22,000), of which £40,000 was charged to the consolidated income statement (2018: charge of £7,000). The fair value of options granted in the year was £128,000 (2018: £nil).

The exercise price of options as at 31 March 2019 is 25.0p and 97.5p (2018: 25.0p).

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

	2019
Grant date	19 Jun 18
Maturity date	19 Jun 21
Share price	99p
Expected volatility	59.4%
Expected life	3 years
Risk free rate	1.5%
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 2019 was 41p (2018: 63.5p) and during the year ranged between 101.5p and 41p (2018: between 63.5p and 176.5p).

20 Fixed asset investments

Shares in subsidiary undertakings	£000
Cost at 1 April 2018	8,159
Disposal of subsidiary	(2,004)
Impairment	(3,260)
Cost as at 31 March 2019	2,895

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
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

21 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 2019 was £124,000 (2018: £218,000) plus £112,000 of financing cost (2018: £126,000).

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 £191,000 (2018: £190,000). 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):

	2019	2018	2017
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase of pensions in payment- post 1997 accrual only	3.2%	3.1%	3.3%
Discount rate	2.3%	2.5%	2.5%
Inflation assumption – RPI	3.3%	3.2%	3.3%
Inflation assumption – CPI	2.3%	2.2%	2.3%

Demographic assumptions are all based on the S2PA (2018: 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.

	2019 Years	2018 Years
Current pensioners at 65 – male	20.9	21.1
– female	23.1	23.0
Future pensioners at 65 – male	21.8	22.1
– female	24.2	24.1

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 2020 are £279,000. 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 increased to £22,547 per month (previously £21,890 per month), with a 3% annual increase thereafter.

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

	2019 £000	2018 £000
Equities/diversified growth fund	14,286	11,802
Bonds	1,580	1,280
Insured pensioner assets	26	28
Cash	173	97
Market value of assets	16,065	13,207
Actuarial value of liability	(18,705)	(18,287)
Scheme deficit	(2,640)	(5,080)
Related deferred tax asset	448	864
Net pension liability	(2,192)	(4,216)

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.

	2019 £000	2018 £000
Net benefit expense recognised in profit and loss		
Net interest cost	(112)	(126)
Net benefit expense	(112)	(126)

	2019 £000	2018 £000
Re-measurement losses/ (gains) in other comprehensive income		
Actuarial losses/ (gains) arising from changes in financial assumptions	622	(151)
Actuarial gains arising from changes in demographic assumptions	(151)	(129)
Experience adjustments	91	291
Return on assets (excluding interest income)	(638)	(3)
Total re-measurement of the net defined liability shown in other comprehensive Income	(76)	8

	2019 £000	2018 £000
Actual return on plan assets	976	334

	2019 £000	2018 £000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(5,080)	(5,209)
<i>Movement in year:</i>		
Past service cost	(295)	–
Employer contributions	2,771	263
Net interest expense	(112)	(126)
Actuarial gain/(loss)	76	(8)
Deficit in scheme at end of year	(2,640)	(5,080)

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

21 Pension arrangements continued

	2019 £000	2018 £000
Movement in scheme assets		
Fair value at beginning of year	13,207	13,548
Interest income on scheme assets	338	331
Return on assets (excluding interest income)	638	3
Employer contributions	2,771	263
Benefits paid	(889)	(938)
Administrative costs	–	–
Fair value at end of year	16,065	13,207

	2019 £000	2018 £000
Movement in scheme liabilities		
Benefit obligation at start of year	18,287	18,757
Interest cost	450	457
Actuarial losses/ (gains) arising from changes in financial assumptions	622	(151)
Actuarial gains arising from changes in demographic assumptions	(151)	(129)
Experience adjustments	91	291
Benefits paid	(889)	(938)
Past service cost	295	–
Benefit obligation at end of year	18,705	18,287

The weighted average duration of the pension scheme liabilities is 13.5 years (2018: 13.5 years).

A quantitative sensitivity analysis for significant assumptions as at 31 March 2019 is as shown below:

Present value of scheme liabilities when changing the following assumptions:

	2019 £000
Discount rate increased by 1% p.a.	16,497
RPI and CPI increased by 1% p.a.	19,734
Mortality – members assumed to be their actual age as opposed to 1 year older	19,594

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

22 Contingent liabilities

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's asset finance loans and invoice finance facilities. The total borrowings of the subsidiaries at 31 March 2019 amounted to £4,674,000 (2018: £7,106,000).

23 Financial commitments

	Group		Company	
Capital expenditure	2019 £000	2018 £000	2019 £000	2018 £000
Contracted for but not provided in the accounts	–	173	–	–

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	
	2019 £000	2018 £000	2019 £000	2018 £000
Future minimum payments due:				
Not later than one year	77	297	23	67
After one year but not more than five years	–	562	–	91
After five years	–	374	–	–
	77	1,233	23	158

Leases on land and buildings comprise the premises occupied by Petrel Limited (£91,000 per annum with an end date of 20 August 2019).

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

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

24 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 63% 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 the Group had net monetary assets denominated in Euros of £2,671,000 (2018: £1,146,000). 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 2019, 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 £440,000 (2018: £738,000).

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 2019	10,030	1.1383	8,812	8,629	183
At 31 March 2018	17,547	1.1319	15,502	15,463	39

Interest rate risk

The Group operates 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 £8,000 reduction in profit before tax (2018: £26,000). An equivalent decrease in rates would increase profit before tax by £8,000 (2018: £26,000).

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

	Group		Company	
Financial liabilities	2019 £000	2018 £000	2019 £000	2018 £000
Bank overdraft (Sterling denominated)	–	(2,190)	(23)	(1,772)
Bank overdraft (Euro denominated)	–	1,705	–	–
Invoice finance (Sterling denominated)	(1,099)	(2,284)	–	–
Invoice finance (Euro denominated)	(529)	(2,377)	–	–
Invoice finance (US Dollar denominated)	–	(79)	–	–
Asset finance loans (Sterling denominated)	–	–	–	–
Finance leases (Sterling denominated)	(4,021)	(2,516)	–	–
Import finance loan (Euro denominated)	–	(1,137)	–	–
	(5,649)	(8,878)	(23)	(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 15. 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 £328,000 (2018: £17,000).

Liquidity risk

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

The Group's funding strategy is to maintain flexibility in managing its day to day working capital needs through the use of an invoice finance facility, subject to dividend and debtor turn 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 £7.75m invoice finance facility is ongoing, as discussed in the consolidated balance sheet commentary on page 25.

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 ;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

24 Derivatives and financial instruments continued

All derivative financial assets and liabilities are valued using level 2 techniques. The fair values of short term receivables, short term payables, and the invoice finance facility (which is 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 the audit committee. Valuation processes and fair value changes are discussed by 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 carrying value of the Group's financial assets and liabilities is considered to be the same as the fair value.

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 2019 and 31 March 2018.

	On demand	Less than one year	1 to 2 years	2 to 5 years	Greater than 5 years	Total
At 31 March 2019						
Financial assets						
Trade receivables	5,189	–	–	–	–	5,189
Non-derivative financial liabilities						
Bank overdraft	–	–	–	–	–	–
Invoice finance	1,628	–	–	–	–	1,628
Finance leases, including interest	–	1,102	1,090	1,993	–	4,185
Import loan, including interest	–	–	–	–	–	–
Trade payables	–	2,665	–	–	–	2,665
	1,628	3,767	1,090	1,993	–	8,478
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

The gross undiscounted future cashflows are analysed as follows:

Derivative financial liabilities	On demand	Less than one year	1 to 2 years	2 to 5 years	Total
At 31 March 2019					
Foreign Exchange forward contracts	–	7,682	946	–	8,628
	–	7,682	946	–	8,628

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.

At 31 March 2018					
Foreign Exchange forward contracts	–	11,989	3,474	–	15,463
	–	11,989	3,474	–	15,463

The Company's financial liabilities comprise the bank overdraft of £23,000 (2018: £1,772,000) and is payable on demand, and Finance lease liabilities £93,000 (2018: £nil).

Capital management

The Group defines capital as the total equity of the Group, which at the year end is £4,868,000 (2018: £3,156,000). 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 asset loans. Further details are discussed in the consolidated balance sheet commentary on page 25.

25 Related party transactions

Group

All transactions between the parent company and subsidiary companies and between subsidiary companies have been eliminated on preparation of the consolidated accounts. The Group has not entered into any other related party transactions.

Company

The Company provides certain management services to subsidiary companies.

Certain payments in relation to items settled or provided on a central basis, principally corporation tax and insurance payments, are made by the Company and are then recharged to subsidiaries at cost.

	Group		Company	
Compensation of key management personnel (including directors)	2019 £000	2018 £000	2019 £000	2018 £000
Short term employee benefits (including employer's NI)	1,320	1,388	638	619
Termination costs (including employer's NI)	–	–	–	–
Share based payments	40	46	40	46
Pension contributions	64	66	37	36
	1,424	1,500	715	701

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

Details of key management share options are disclosed in Note 19.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

26 GROSS DEBT

	Net overdraft £000	Invoice finance £000	IFRS 16 Liability £000	Finance leases £000	Import loan £000	Total £000
At 1 April 2017	216	3,510	–	1,667	1,235	6,628
Cashflow	238	1,083	–	792	(145)	1,968
Interest	31	147	–	57	47	282
At 1 April 2018	485	4,740	–	2,516	1,137	8,878
Cashflow	(680)	(3,218)	935	484	(1,137)	(3,616)
Interest	195	106	40	46	–	387
At 31 March 2019	0	1,628	975	3,046	–	5,649
Balances comprise:						
Current liabilities	–	1,628	184	871	–	2,683
Non-current liabilities	–	–	791	2,175	–	2,966
	–	1,628	975	3,046	–	5,649

27 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Chamberlin Plc and its subsidiaries as at 31st 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 3 to 7. In addition, Note 24 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 £7.75m ongoing invoice discounting and finance leases of £4.0m repayable over five years. As a consequence, the Directors believe that the Group is well placed to manage its business and financial risks successfully.

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

Presentation of the Consolidated Income Statement

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

Business combinations and goodwill

Business combinations from 1st 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 IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs.

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 that 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 1st 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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

27 Summary of significant accounting policies continued

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

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

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

Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

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

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

- Short leasehold property – over the term of the lease

- Plant and other equipment – 2 to 10 years

- Motor vehicles – 4 years

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

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

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

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

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

Intangible assets

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

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

27 Summary of significant accounting policies continued

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and lease liability at commencement for all leases, except for short-term leases and low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Applying IFRS 16, for all leases the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Income Statement; and
- Separates the amount of cash paid into principal and interest and presents them separately within financing activities in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease terms of 12 months or less) and leases of low-values-assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the Consolidated Income Statement.

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 1st 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 31st March 2019 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 performs an assessment to confirm the reasonableness of this valuation.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Group.

Pensions and other post-employment benefits

The Group operates a number of defined contribution schemes, which require contributions to be made to administered funds separate from the Group.

The Group also has a defined benefit pension scheme which is closed to future accrual. The scheme assets are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method. As the scheme is closed to future accrual, no service cost of providing pension to employees is charged to the Consolidated Income Statement. The cost of making improvements to past pension and other post-retirement benefits is recognised in the Consolidated Income Statement immediately as an expense.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under non-underlying operating costs in the Consolidated Income Statement: Defined benefit pension scheme administration costs.

Remeasurements 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. Remeasurements 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 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 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 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.

SECTION 5

OTHER SUPPORTING NOTES CONTINUED

27 Summary of significant accounting policies continued

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods, in line with 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 has assessed the impact of market conditions on the valuation and has determined them not to be material.

Non-underlying and exceptional items

The Group presents as non-underlying items on the face of the Consolidated Income Statement, those items of income and expenditure which, because they are either non-trading related, non-recurring or are valued using market-derived data which is outside management's control, merit separate presentation to allow Shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to allow assessment of trends in financial performance. Non-underlying items in the current year include share-based payment costs, administration costs of the pension scheme and net financing costs of pension obligations, reorganisation costs, onerous leases, impairment of fixed assets and investments, and GMP equalisation, together with the 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 the 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 judgements and accounting estimates

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

The key figures in the accounts that are most sensitive to such judgements and estimates are:

Judgements

- 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 12 provides details of the impairment review undertaken during the period.
- 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 Income Statement through sales over a five-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 15.

Accounting estimates

- 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 21 provides details of the defined pension scheme liabilities and valuation assumptions.
- Recoverability of deferred tax assets; deferred 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. Note 17 provides details of the deferred tax assets.

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 31st March 2019, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Balance Sheets, 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 31st March 2019 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.

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 12 months from the date when the financial statements are authorised for issue.



Overview of our audit approach

- Our Group materiality was £659,000, which was determined based on 2.0% of the Group's preliminary continuing 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

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Revenue recognition</p> <p>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.</p> <p>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 management's assessment that revenue is a KPI and the volume of transactions in the year, we have identified revenue recognition (focusing on occurrence) as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> → evaluating the revenue recognition accounting policies for appropriateness in accordance with the requirements of International Financial Reporting Standard 15 'Revenue' and executing audit procedures to provide evidence that revenue was accounted for in accordance with these policies. → testing a sample of revenue transactions 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 dispatched in the correct period. <p>The Group's accounting policy on revenue recognition is shown in Note 27 to the financial statements and related disclosures are included in Note 3.</p> <p>Key observations</p> <p>Based on our audit work, we did not identify any evidence of material misstatement in the revenue recognised in the year to 31st March 2019.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Impairment of fixed assets</p> <p>The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and involves management judgement. 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.</p> <p>Management's impairment review identified two CGUs that showed signs of impairment.</p> <p>Therefore, we identified impairment of fixed assets as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none">→ testing across both CGUs identified by management that 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, whether they were 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. <p>The Group's accounting policy on impairment is shown in Note 27 to the financial statements and related disclosures are included in Note 12.</p> <p>Key observations</p> <p>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 12 also appropriately discloses the assumptions used in arriving at the estimate. Based on our audit work, we did not identify any evidence of material misstatement in the impairment of fixed assets at 31st March 2019.</p>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Valuation of defined benefit pension scheme</p> <p>The Group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31st March 2019, the defined benefit pension schemes' deficit was £2.6 million. The gross value of pension scheme assets and liabilities, which form the deficit, amount to £16.1 million and £18.7 million respectively.</p> <p>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.</p> <p>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.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> → 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 and the 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. <p>The Group's accounting policy on defined benefit pension scheme is shown in Note 27 to the financial statements and related disclosures are included in Note 21.</p> <p>Key observations</p> <p>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 52 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. During our testing, we found no errors in calculations. Based on our audit work, we did not identify any evidence of material misstatement in the valuation of the defined benefit pension scheme at 31st March 2019.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Sale of Exidor Limited</p> <p>During the year the Company disposed of a subsidiary, Exidor Limited. The consideration received was significant and the nature of the transaction was deemed unusual.</p> <p>Therefore, we identified the accuracy and presentation of the sale of the subsidiary as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none">→ corroborating the proceeds for the sale and key terms impacting management's calculations are consistent with the Share Purchase Agreement;→ corroborating the receipt of proceeds to bank statements and agreeing this amount to the terms and conditions of the agreement;→ testing the mathematical accuracy of management's calculation of the gain on disposal;→ assessing the adequacy of disclosures in respect of the disposal to ensure these are in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and IFRS 10 'Consolidated Financial Statements';→ performing an analytical review on the completion balance sheet of Exidor Limited, comparing values to prior year and agreeing to further supporting documentation where necessary. <p>Key observations</p> <p>Based on our audit work, we found the calculations used to be accurate and consistent with the Share Purchase Agreement and requirements of the accounting standard. Note 9 appropriately discloses the transaction. Based on our audit work, we did not identify any evidence of material misstatement in the calculation of the gain or loss or proceeds on sale of Exidor Limited.</p>

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 company
Financial statements as a whole	<p>£659,000, which was determined based on 2.0% of the Group's preliminary revenues for continued operations. 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 31st March 2018 as a result of increases in total revenue and a 0.5% increase in the threshold applied.</p>	<p>£175,000, which is 2.0% of the preliminary figure for the Company's total assets. 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 higher than the level that we determined for the year ended 31st March 2018 as a result of increases in total assets and a 0.5% increase in the threshold applied.</p>
Performance materiality used to drive the extent of our testing	<p>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.</p>	<p>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.</p>
Specific materiality	<p>We determined a lower level of materiality for certain areas such as Directors' remuneration and related party transactions.</p>	<p>We determined a lower level of materiality for certain areas such as Directors' remuneration and related party transactions.</p>
Communication of misstatements to the audit committee	<p>£32,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</p>	<p>£8,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHAMBERLIN PLC

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 each entity's 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% of consolidated revenues and 100 % of total profit before tax for continuing operations.

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 opinions on other matters prescribed by the Companies Act 2006 are 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 Directors' responsibilities statement set out on page 16, 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.

Use of our report

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.

DAVID WHITE

SENIOR STATUTORY AUDITOR

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

3 June 2019

AUDIT COMMITTEE REPORT

Key Objective

The Audit Committee acts on behalf of the Board and the shareholders to ensure the integrity of the Company's financial reporting, evaluate its systems of risk management and internal control and oversee the relationship and performance of the external auditors.

Membership, Meetings and Attendance

The composition of the Audit Committee during the year was:

Keith Jackson (Chairman)
Keith Butler-Wheelhouse
David Flowerday

The Audit Committee meets at least twice during the year and details of the attendance at meetings are shown on page 11.

Responsibilities

The Audit Committee's main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems, considering the annual report, interim accounts and auditor's reports, and making recommendations to the Board in relation to the appointment and remuneration of the auditors.

The main responsibilities of the Committee are:

- to review accounting policies and the integrity and content of the financial statements;
- to monitor disclosure controls and procedures and the Company's internal controls;
- to monitor the integrity of the financial statements of the Company and to assist the Board in ensuring that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable;
- to review and approve preliminary results announcements;
- to consider the adequacy and scope of external audits;
- to review and approve the statements to be included in the Annual Report on internal control and risk management; and
- to review and report on the significant issues considered in relation to the financial statements and how they are addressed.

Key Activities During The Year

The key activities and areas covered by the Audit Committee during the year were as follows:

Annual And Interim Results

At the request of the Board, the Committee reviewed the presentation of the Company's audited results for the year to 31 March 2019 and the unaudited results for the six months to

30 September 2018 to ensure that they were fair, balanced and understandable and provide sufficient information necessary for shareholders and other users of the accounts to assess the Company's position and performance, business model and strategy.

The most significant areas of focus in relation to the results for the year ended 31 March 2019 were as follows:

- impairment of fixed assets. Due to a decline in the profitability of the cash generating units in the foundry division, the Directors undertook an impairment review of those businesses, which resulted in an impairment charge of £3.0m being recognised in non-underlying items in the income statement. The Audit Committee discussed the assumptions made in the value in use assessment concerning the future performance of the businesses and the discount rate applied to future cash flows and found them to be reasonable;
- recognition of revenue. The audit committee reviewed the accounting policies for the recognition of revenue, as revenue is a key driver for the business, and in light of the requirement to adopt IFRS 15 'Revenue from contracts with customers' during the year. The review included discussion of the appropriateness of the Group's policy to recognise revenue when the risks and rewards of ownership have transferred to the buyer.
- sale of Exidor Limited. The sale of the Exidor business for £10m during the year was a significant transaction for the group and its impact on the financial statements was reviewed by the Audit Committee. This review included discussion of the treatment of Exidor as a discontinued operation and the associated disclosures required to be made in the financial statements.
- pension scheme valuation. The closed defined benefit pension scheme liability of £2.6m is a significant liability on the Group's balance sheet. Consequently the Audit Committee reviewed the appropriateness of the assumptions used by the external actuary in deriving the IAS 19 liability and found them to be reasonable.
- early adoption of IFRS 16 'Leases'. The Audit Committee reviewed the appropriateness of the calculations and the disclosures in the financial statements of adopting IFRS 16

Management Override Of Internal Controls

The Audit Committee considered the inherent risk of management override of internal controls as defined by Auditing Standards. In doing so the Audit Committee continues to review the overall robustness of the control environment.

PARENT COMPANY BALANCE SHEET

AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	12	779	768
Intangible assets	13	2	3
Investments	20	2,895	8,159
Deferred tax asset	17	817	900
		4,493	9,830
Current assets			
Trade and other receivables	15	165	98
Income taxes receivable	15	132	107
Amounts due from subsidiary undertakings	15	3,761	156
		4,058	361
Total assets		8,551	10,191
Current liabilities			
Financial liabilities	16	57	1,772
Trade and other payables	16	1,300	567
		1,357	2,339
Non-current liabilities			
Financial liabilities	17	59	–
Deferred tax	17	33	6
Defined benefit pension scheme deficit	21	2,640	5,080
		2,732	5,086
Total liabilities		4,089	7,425
Capital and reserves			
Share capital	18	1,990	1,990
Share premium		1,269	1,269
Capital redemption reserve		109	109
Retained earnings		1,094	(602)
Total equity		4,462	2,766
Total equity and liabilities		8,551	10,191

The profit dealt with in the accounts of the parent company was £1,621,000 (2018: loss of £1,449,000).

KEVIN NOLAN

NEIL DAVIES

DIRECTORS

The accounts were approved by the Board of Directors on 3 June 2019

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £000	2018 £000
Operating activities			
Profit/ (loss) for the year before tax		1,562	(1,579)
<i>Adjustments to reconcile (loss)/ profit for the year to net cash inflow/ (outflow) from operating activities:</i>			
Net finance costs excluding pensions		98	81
Impairment of investments		3,260	–
Depreciation of property, plant and equipment	12	112	36
Amortisation of software	13	1	1
Profit on sale of Exidor		(6,516)	–
Share based payments	19	40	46
One-off contribution made to defined benefit pension scheme		(2,500)	–
Difference between pension contributions paid and amounts recognised in the Income Statement		136	(137)
(Increase)/ decrease in receivables		(3,670)	128
Increase /(decrease) in payables		880	(569)
Net cash outflow from operating activities		(6,597)	(1,993)
Investing activities			
Purchase of property, plant and equipment	12	(76)	(4)
Proceeds from sale of subsidiary		8,520	–
Net cash inflow/(outflow) from investing activities		8,444	(4)
Financing activities			
Interest paid		(98)	(81)
Net cash outflow from financing activities		(98)	(81)
Net increase/ (decrease) in cash and cash equivalents		1,749	(2,078)
Cash and cash equivalents at the start of the year		(1,772)	306
Cash and cash equivalents at the end of the year		(23)	(1,772)
Cash and cash equivalents comprise:			
Bank overdraft		(23)	(1,772)
		(23)	(1,772)

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 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 expense	–	–	–	(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 1 April 2018	1,990	1,269	109	(602)	2,766
Profit for the year	–	–	–	1,621	1,621
Other comprehensive income for the year net of tax	–	–	–	61	61
Total comprehensive income	–	–	–	1,682	1,682
Share based payment	–	–	–	40	40
Deferred tax on employee share options	–	–	–	(26)	(26)
Total of transactions with shareholders	–	–	–	14	14
Balance at 31 March 2019	1,990	1,269	109	1,094	4,462

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.

IFRS16

There is no impact on opening reserves due to the early adoption of IFRS16.

FIVE YEAR FINANCIAL SUMMARY

Financial Highlights – continuing operations	2019	2018	2017	2016	2015
Revenue (£m)	33.0	30.2	24.9	22.7	27.3
Underlying (loss)/profit before tax (£'000)	(1,273)	(662)	60	(341)	789
Statutory (loss)/profit before tax (£'000)	(4,957)	(1,112)	(516)	(854)	250
Underlying diluted earnings per share (pence)	(16.8)	(12.4)	(1.0)	(4.0)	10.4
Dividend per share (pence)	0.0	0.0	0.0	0.0	0.0
Cash generated from operations (£'000)	(3,379)	791	(454)	1,037	827

REVENUE (£m)

2019	33.0
2018	30.2
2017	24.9
2016	22.7
2015	27.3

UNDERLYING PROFIT BEFORE TAX (£000)

2019	(1,273)
2018	(662)
2017	60
2016	(341)
2015	789

STATUTORY PROFIT BEFORE TAX (£000)

2019	(4,957)
2018	(1,112)
2017	(516)
2016	(854)
2015	250

UNDERLYING DILUTED EARNINGS PER SHARE (p)

2019	(16.8)
2018	(12.4)
2017	(1.0)
2016	(4.0)
2015	10.4

DIVIDEND PER SHARE (p)

2019	0.0
2018	0.0
2017	0.0
2016	0.0
2015	0.0

CASH GENERATED FROM OPERATIONS (£000)

2019	(3,379)
2018	791
2017	(454)
2016	1,037
2015	827

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held on Tuesday 23 July 2019 at the Registered Office, Chuckery Road, Walsall, WS1 2DU at 11.30am 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 2019 (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 Neil Davies (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 2019 (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 £656,545 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 23 October 2020, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and notwithstanding such expiry the Directors may allot shares or grant such rights in pursuance to such offers or agreements as if this authority had not expired (Resolution 9).

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

10. That, subject to the passing of resolution 9 and pursuant to section 570 of the Companies Act 2006 the Directors be and are hereby generally empowered (in substitution for all existing powers under section 570 of the Companies Act 2006 which, to the extent unused at the date of this resolution, are revoked with immediate effect) to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 9 as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities
- (a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
- (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
- (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,
- but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- (b) otherwise than pursuant to paragraph 10(a) of this resolution, up to an aggregate nominal amount of £99,476,
- and (unless previously revoked, varied or renewed) this power shall expire at the earlier of the conclusion of the next Annual General Meeting, of the Company or 23 October 2020, 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 23 October 2020, 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

NEIL DAVIES
COMPANY SECRETARY
3 June 2019

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 11.30am on 19 July 2019 (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 15.

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

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

- 11.30am on 19 July 2019; or,
- If this Meeting is adjourned, at 11.30am on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the AGM.

SHAREHOLDER INFORMATION

DIRECTORS Keith Butler-Wheelhouse (Non-Executive Chairman)
Kevin Nolan (Chief Executive)
Neil Davies (Finance Director)
Keith Jackson (Non-Executive)
David Flowerday (Non-Executive)

COMPANY SECRETARY Neil Davies

REGISTERED OFFICE Chuckery Road
Walsall
WS1 2DU
Registered in England No. 00076928

AUDITOR Grant Thornton UK LLP
Birmingham

SOLICITORS DLA Piper
Birmingham

NOMINATED ADVISER AND BROKER Cenkos Securities plc
London

BANKERS HSBC Bank plc
Birmingham

REGISTRARS Neville Registrars Limited
Neville House
18 Laurel Lane
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