



Chamberlin & Hill plc
Report and Accounts 2002

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The Year in Brief

“ net margins were maintained and the resulting cash flow delivered net funds of £626,000 at the year end as against net debt of £326,000 a year ago.”

- Turnover down 6%
- Earnings per share down 3%
- Dividend increased by 3%
- Strong ungeared balance sheet

	2002	2001
	£000	£000
Turnover	30,548	32,521
Profit before taxation	2,526	2,593
Earnings per share (fully diluted)	24.0p	24.8p
Dividends per share	11.85p	11.50p

Directors and Advisors

Directors	The Viscount Eccles, C.B.E. (Chairman) N. B. Williams, M.Sc., C.Eng., M.I.C.M.E. (Chief Executive) J. K. Bather, M.I.C.M.E. (Deputy Chairman) P. E. H. Bell, A.C.M.A., A.C.I.S. (Finance) N. C. D. Kuenssberg, B.A., F.C.I.S., CIMGT., FINSTD. A. Vicary, M.Sc., B.Eng. (Hons)
Company Secretary	P. E. H. Bell, A.C.M.A., A.C.I.S.
Registered Office	Chuckery Foundry, Walsall WS1 2DU <i>Registered in England No. 76928</i>
Auditors	Heathcote & Coleman, Birmingham
Solicitors	Eversheds, Birmingham
Stockbrokers	Old Mutual Securities, Birmingham
Bankers	HSBC Bank plc, Walsall
Financial Advisers	Ernst & Young LLP Birmingham
Registrars	Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA

Chairman's Statement

Trading conditions remained demanding throughout the year and both profit and earnings declined slightly. Profit before tax was £2.526m compared to £2.593 in 2001, while fully diluted earnings were 24.0p against 24.8p last year.

Nevertheless, the Company came out of the year in a strong position. We continued to invest in state of the art equipment and in new product development. We reorganised for the future and looked for suitable additions to the Group, finding one in the foundry sector which is being brought alongside our Scunthorpe plant. Our pursuit of higher productivity throughout the Company was again successful.

We have followed these positive policies under Barrie Williams' leadership, and we will continue with them. In a period when sales declined by some 6%, net margins were maintained and the resulting cash flow delivered net funds of £626,000 at the year end as against net debt of £326,000 a year ago.

The directors are recommending a final dividend of 8.00p (7.75p) making a total for the year of

11.85p (11.50p) an increase of 3.0%. The dividend will be twice covered.

Adam Vicary joined the Board during the year. Adam has had extensive foundry experience within the Company, and he is at present responsible for the successful Ductile Foundry and its expansion programme. His contributions to both the Board and to the Executive Management Team are much appreciated.

Mike Richards retired during the year. Mike was responsible for Fred Duncombe and has made a major contribution to the Company's fortunes. He pioneered the development of a new market for Duncombe when he took us into exit hardware. We are grateful for his professionalism and wish him well in his retirement.

Barrie Williams sets out the full position in some detail in his report. Suffice it for me to say that he and his colleagues continue to provide us with opportunities and that given the strength of the cash flow and the ungeared balance sheet, we will break new ground when

the current period of slack and volatile trading is over.

At the start of the new year our markets are looking to improve but as yet it is still one step forward and half a step back. We expect the autumn to bring firmer markets and we will bring shareholders up to date with progress at the July AGM.

John Eccles
Chairman

Chief Executive's Review

New development at Ductile Castings

Results

In his Interim Statement in November John Eccles commented that looking back, trading conditions had begun to deteriorate in the Autumn of 2000. Continuing this trend, volume fell further in the six months ended March 2002. This resulted in sales for the year 2001/02 of £30.5m, down 6.1% from the £32.5m achieved in 2000/01. General economic conditions, de-stocking and ongoing lower prices all contributed to this reduction. It was not a good climate for manufacturing in general, and we were no exception. Particular features of this operating period were the high value of the pound against the euro, price down pressures resulting from increased global sourcing, and higher employment cost pressures. These include higher pension charges, increased employer's liability insurance costs and ever ongoing wage expectations.

Sales in the foundries reduced by 4.6% to £19.9m, while in light



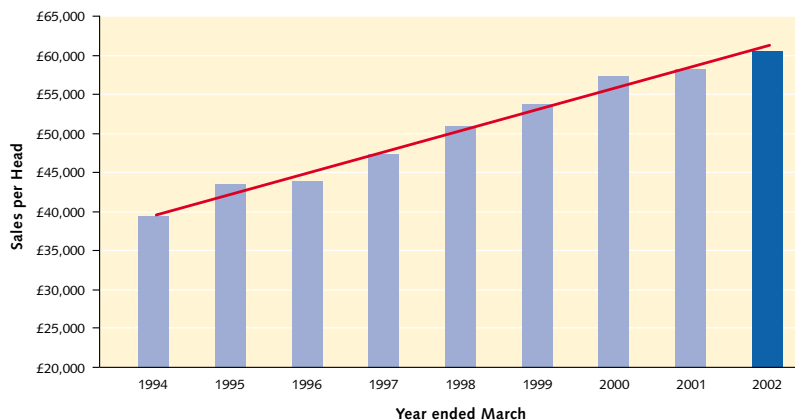
engineering the fall was 8.7% to £10.6m. Export sales were maintained at 15% of the total. Despite the lower volume a net margin of 8.3% (2000/01: 8.0%) was achieved based on a profit before tax of £2.5m (2000/01: £2.6m). This reflects on our ongoing strategy of continuous improvement in productivity. It is again pleasing to report that sales per head increased for the ninth successive year from £58,300 to £60,700. The average number of employees reduced by some 10% from 558 down to 503.

Investment

Capital expenditure in the year was £1.3m, primarily targeted at further efficiencies. In the foundries, we increased the number of Barinder robotic grinding machines at Walsall Foundry, replaced old coremaking equipment at Bloxwich Foundry, and completed further expansion of the foundry at Ductile Castings. In the engineering businesses we successfully completed the amalgamation of Webb Lloyd with Fred Duncombe on the Cannock site.

In April 2002 we purchased the assets of a small foundry, H. Bingham & Sons Ltd based in Doncaster, which brings a new capability to the Group in steel castings. We plan to absorb the operations of Bingham into Ductile Castings and have invested in additional buildings and land adjacent to our site in Scunthorpe. We are currently in the process of upgrading some of the buildings and installing the new plant and equipment to create a second

SALES PER HEAD 1994-2002



foundry. This foundry will be commissioned in the first half of the new financial year, and is eventually expected to have a capacity comparable to that of the existing foundry. The castings to be produced will include both iron and steel in the weight range 20Kg to 250Kg. This is a significant development that should afford growth opportunities over the next 2-3 years. As a result of previous investment over the past two years, Ductile Castings increased its turnover by some 25% and net profit by 20% in the year.

Product Development

Third world competition based on commodity products with low added value has had an impact at Bloxwich Foundry and PFP Electrical Products, with both lower prices and volumes for conduit fittings, and similarly at Fred Duncombe for ironmongery products. In each of these businesses we are seeking to reposition ourselves by the development of new products and processes to seek higher added value. At Fred Duncombe we are now launching the high security range of Exidor products, while at both PFP and Bloxwich Foundry we expect to make significant progress in changing our market position over the coming 12 month period. Despite a fall in sales, Walsall Foundry has continued to win additional export business with many new pattern orders being received, and we look forward to continuing to develop our share of the broader European market.



Exidor High Security Range

Outlook

There are some indications that de-stocking by our customers is coming to an end, and we remain optimistic that demand will improve as the year ahead progresses. Acquisition for growth, entry into new markets and rationalisation of our businesses will be actively pursued in the year ahead to strengthen top line growth and effect margin improvement. We will continue to seek to improve

efficiencies and develop all members of our team, whether new or old. I would like once again to thank everyone for their contribution this year.

Barrie Williams
Chief Executive

Report of the Directors

The Directors present their Annual Report and Accounts for the year ended 31 March 2002.

Principal activities

The Group is engaged in ironfounding and light engineering products for safety and security applications.

Review of the business

A review of the Group's activities, its development and future prospects is included in the Chairman's Statement and Chief Executive's Review on pages 3 to 5.

Financial results

The consolidated profit and loss account is shown on page 16. Group profit after taxation amounted to £1,748,000 (Restated 2001: £1,810,000). After dividends the surplus is £882,000 (Restated 2001: £974,000). Movements in Reserves are shown in Note 19.

Dividends

The Directors recommend the payment of a final dividend of 8.00p per share payable on 26 July 2002 which together with the interim dividend of 3.85p per share paid on 19 December 2001, totals 11.85p for the year (2001: 11.50p).

Directors

Details of the Directors of the Company are shown below and their interests in the shares of the Company and share options are shown in the Report of the Remuneration Committee on pages 11 to 14. Alf Edwards retired as a Director on 27 July 2001 and Adam Vicary was appointed a Director on 27 September 2001. All other Directors held office throughout the year.

Peter Bell, John Bather and Adam Vicary retire from office as Directors and, being eligible, offer themselves for re-election. Peter Bell has a service agreement which provides for termination by the Company on not less than two years notice. Adam Vicary has a service agreement which provides for termination by the Company on not less than a year's notice. John Bather does not have a service agreement.

No Director had a material interest during the year in any significant contract with the Company or any subsidiary undertaking.

Non-Executive Directors

John Eccles

Aged 71, John Eccles was appointed Chairman in 1982. He is a Director of Govett Strategic Investment Trust plc, and was previously Chairman of Courtaulds Textiles plc.

John Bather

Aged 68, John Bather has been a Director since 1964. He was formerly Managing Director and now serves as Deputy Chairman.

Nick Kuenssberg

Aged 59, he was appointed a Director in 1999. He is Chairman of Iomart Group plc, GAP Group Ltd and other companies.

Report of the Directors

Executive Directors

Barrie Williams

Aged 58, he joined the Company in 1965. Having spent some years as Works Manager of the Walsall foundry, he was appointed a Director in 1976, becoming Chief Executive in 1995.

Peter Bell

Aged 51, he joined the Company in 1969 and was appointed Company Secretary in 1987. He was appointed to the Board in 1995.

Adam Vicary

Aged 34, he joined the Company in 1988. He has been Managing Director of Ductile Castings Ltd for the last two years, and was appointed to the Board in September 2001.

Special Business

Authority to purchase own shares

At the Annual General Meeting in 2001, the Board was given authority to purchase and cancel up to 720,000 of its own shares representing 9.9% of the Company's then existing issued share capital, through market purchases on The London Stock Exchange. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price which may be paid for each share is 25 pence. No purchases have been made.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The Directors have resolved, if the right circumstances exist, to exercise the current authority which remains valid until the Annual General Meeting, and will continue to consider circumstances in which they may exercise this authority. They are now seeking the approval of shareholders for the renewal of this authority upon the same terms, save that the authority is now sought to allow the Company to purchase and cancel up to 730,000 of its own shares, representing 10% of its issued share capital at 22 May 2002. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting at item 7 on page 33. 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.

Substantial shareholders

At 22 May 2002 the Company is aware of the following interests of 3% or more of the Company's share capital:

	Number of shares	% of Issued Share Capital
Rights and Issues Investment Trust PLC	1,000,000	13.66
Mrs. A. C. Thorburn	640,000	8.74
Imperial Pensions Nominees Ltd.	622,200	8.50
Discretionary Unit Fund	500,000	6.83
Mr. M. E. Love	263,158	3.59
Citifriends Nominees Ltd	250,000	3.41
Perfecta Assets Ltd	220,000	3.00

Statement of Directors' responsibilities

The Directors are required by law to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss for the year and comply with the Companies Act 1985. They are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps to prevent and detect fraud and other irregularities.

Report of the Directors

The Directors confirm that applicable accounting standards have been followed and that suitable accounting policies have been consistently applied and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements which have been prepared on a going concern basis.

Charitable and political donations

Donations to UK charitable organisations amount to £1,500 (2001: £2,000). There were no political donations.

Employee involvement

A report to employees is produced each year which includes a review by the Chief Executive and financial information.

Other arrangements which existed in the year under review and for many years past for the involvement of employees have included formal management/union meetings at regular intervals and health and safety committees.

Policy on payments to creditors

The Group has a variety of payment terms with its suppliers. These are either negotiated along with other contract terms or conform to standard terms applied either by the relevant Group Company or by the supplier. In respect of all its suppliers it is the Group's policy:-

- (a) to settle the terms of payment when entering a business relationship with a supplier.
- (b) to ensure suppliers are aware of the terms of payment.
- (c) to abide by the terms of payment.

The Group's average creditor payment period at 31 March 2002 was 52 days (2001: 53 days) and that of the Company was 51 days (2001: 51 days).

Employment of disabled people

The Group support the employment of disabled people wherever possible, through recruitment and by retention of those who become disabled during their employment. It is Group policy that disabled people should, as far as possible, have identical training, career development and promotion to those who do not suffer from disabilities.

Research and Development

The Group's research and development activities in the year are set out in the Chief Executive's Review.

Auditors

Heathcote & Coleman have indicated their willingness to continue in office, and a resolution proposing their re-appointment as auditors will be submitted to the Annual General Meeting.

By order of the Board

Peter Bell
Secretary

27 May 2002

Corporate Governance

Principles of good governance

The Company is committed to high standards of corporate governance and has applied the principles set out in Section 1 of the Combined Code (the "Code") as set out below and in the report of the Remuneration Committee. The Group complied with all of the provisions set out in Section 1 of the Combined Code on Corporate Governance except in the case of two Executive Directors where the notice periods in their service agreements exceed 12 months as explained in the Remuneration Report.

(a) *The Board*

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

If appropriate, all Directors have the authority to take independent legal advice and have direct access to the Company Secretary.

(b) *Chairman and Chief Executive*

The Chairman of the Company is a Non-Executive Director who is responsible for the running of the Board. The Board is responsible to shareholders for the overall direction and control of the Company, and the Chief Executive is responsible to the Board for management of the Company within parameters set by the Board.

(c) *Service Contracts*

See page 11 in the Remuneration Report.

(d) *Supply of information*

The Board is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties.

(e) *Appointments to the Board*

The Board as a whole acts as the Nomination Committee for the purpose of considering new Board appointments.

(f) *Re-election*

All Directors submit themselves for re-election at least once every three years.

(g) *Directors' Remuneration*

The statement of the Company's policy on Executive Directors' Remuneration and details of Directors' Emoluments are contained on pages 11 to 14.

(h) *Relations with Shareholders*

The Chief Executive and Finance Director hold meetings from time to time with institutional shareholders to discuss the Company's strategy and financial performance.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

(i) *Audit Committee*

The Audit Committee, which consists of three Non-Executive Directors - John Eccles, Chairman, John Bather and Nick Kuenssberg, meets at least twice a year with the external auditors in attendance when required. It assists the Board in ensuring that appropriate accounting policies, financial systems, internal controls and compliance procedures are in place.

Corporate Governance

(j) *Remuneration Committee*

The Remuneration Committee comprises three Non-Executive Directors - Nick Kuenssberg, Chairman, John Eccles and John Bather. The Committee meets when necessary and is responsible for determining the remuneration packages of the Executive Directors. The report of the Remuneration Committee is set out on pages 11 to 14.

(k) *Annual General Meeting*

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

(l) *Internal Control*

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Code has a requirement that the Directors review the effectiveness of the Group's system of internal controls. This includes internal financial controls and controls over financial, operational, compliance and risk management. The Board confirm that regular reviews were carried out and there was full compliance throughout the year. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks affecting the Group and its business and the financial implications of these risks. Procedures are in place to monitor and manage such risks. The Group operates a risk management process whereby each business identifies its key risks, the probability of those risks occurring, their potential impact, and action needed to manage them.

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

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

The Board has undertaken an assessment of the need for a Group internal audit function. The Board considers that the control systems and procedures undertaken by the Group are adequately performed by the management and therefore does not currently propose to introduce a Group internal audit function, but will keep it under review.

(m) *Going Concern*

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. In forming this view the Directors have reviewed budgets and other financial information. For this reason, they continue to adopt the "Going Concern" basis in preparing the accounts.

By order of the Board

Peter Bell
Secretary

27 May 2002

Remuneration Report

Composition of the Remuneration Committee

The members of the Remuneration Committee are given on page 10.

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. 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 defined benefit and 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*

Barrie Williams and Peter Bell receive annual bonus payments dependent on improvement in earnings per share and the Group's end of year cash position. The maximum amount of bonus payable is 60% of their basic salary.

In the case of Adam Vicary his cash bonus is dependent upon the achievement of short-term objectives. The maximum amount payable in 2001/2002 is 30% of his basic salary.

(c) *Share options*

An incentive to achieve longer-term improvements in shareholder value is afforded through share options. An Approved Scheme and an Unapproved Scheme for Senior Executives were established in 1997. Option grants are exercisable only upon the achievement of performance targets to be determined by the Committee when options are granted. Currently targets are that growth in the normalised earnings per share over a period of three consecutive financial years of the Company (commencing no earlier than the financial year in which the option is granted) shall exceed the growth in the Retail Prices Index for the same period by at least 9%.

No consideration is payable for the grant of an option which is exercisable at a price to be determined by the Committee at the time when the option is granted. This price may not be less than the greater of the market price on the day on which the option is granted and the nominal value of an ordinary share.

Details of share options held by Directors are given on page 13, and a summary of outstanding share options is given on page 28.

Service contracts

Two Executive Directors have written service contracts containing provision for termination on giving two years' notice, which in the opinion of the Board is consistent with the need for Directors to take a long-term rather than a short-term view in their conduct and planning of the Company's affairs. Adam Vicary has a one year rolling contract.

Non-Executive Directors

Remuneration of Non-Executive Directors is approved from time to time by the Board as a whole within the limits set out in the Articles of Association.

Remuneration Report

Directors' emoluments

	<i>Basic salary</i> £000	<i>Fees</i> £000	<i>Benefits</i> £000	<i>Annual bonus</i> £000	<i>Total emoluments excluding pensions</i>	
					2002 £000	2001 £000
Executive						
Barrie Williams	106	–	14	16	136	132
Peter Bell	83	–	11	12	106	103
Adam Vicary (from 27.09.01)	28	–	2	8	38	–
Alf Edwards (to 27.07.01)	29	–	6	–	35	79
Non-Executive						
John Eccles	–	30	4	–	34	34
John Bather	–	18	2	–	20	20
Nick Kuenssberg	–	18*	–	–	18	18
Total	246	66	39	36	387	386
<i>Total 2000/2001</i>	<i>246</i>	<i>66</i>	<i>43</i>	<i>31</i>	<i>386</i>	

* Includes consultancy fees in respect of services provided to the Company.

Benefits include all assessable tax benefits arising from employment by the Company, and relate mainly to the provision of company cars.

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.

Directors' pensions

Retirement benefits accrue to three Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme which is a defined benefit scheme:-

	<i>Age at year end</i>	<i>Director's contributions in the year (Note 1)</i> £000	<i>Increase in accrued pension during year (Note 2)</i> £000	<i>Total accrued pension at year end (Note 3)</i> £000
Barrie Williams	58	6	6	66
Peter Bell	51	5	3	44
Adam Vicary	34	3	–	8

Notes:-

1. These relate to the contributions paid or payable in the year by the Directors under the terms of the scheme.
2. The increase in accrued pension during the year excludes any increase for inflation.
3. The pension entitlement shown is that paid annually at normal retirement age of 63, based on service to 31 March 2002.

Remuneration Report

Additional information:-

- (a) On death before retirement, in addition to life assurance benefits, a lump sum is payable equal to the Director's accumulated contributions together with a spouse's pension of 50% of the Director's expected pension. On death after retirement, a spouse's pension is payable of 55% of the Director's pension at the date of death.
- (b) The early retirement equivalent of the accrued pension can be taken from age 50, with the consent of the Company.
- (c) Pension increases will be in line with statutory requirements and the ordinary provisions of the scheme before and after retirement.
- (d) There are no discretionary benefits.

Directors' shareholdings

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

	31 March 2002	31 March 2001
John Eccles	240,750	240,750
John Bather	771,018	771,018
Barrie Williams	44,000	44,000
Peter Bell	18,000	18,000
Nick Kuenssberg	20,000	20,000
Adam Vicary	1,100	–

John Bather had a non-beneficial interest in the share capital of the Company at 31 March 2002 of 25,000 shares (2001: 49,104). John Eccles had a non-beneficial interest in the share capital of the Company at 31 March 2002 of 15,000 shares (2001: 15,000). There have been no changes in the interests set out above between 1 April 2002 and 22 May 2002.

Directors' options

	<i>31 March 2002</i>	<i>Granted in year</i>	<i>Exercised during year</i>	<i>31 March 2001</i>	<i>Option price</i>	<i>Exercisable between</i>
Barrie Williams	18,750	–	–	18,750	160p	10.09.2000-09.09.2007
	26,250	–	–	26,250	160p	10.09.2000-09.09.2004
	30,000	–	–	30,000	185p	16.11.2003-15.11.2007
Peter Bell	18,750	–	–	18,750	160p	10.09.2000-09.09.2007
	16,250	–	–	16,250	160p	10.09.2000-09.09.2004
	25,000	–	–	25,000	185p	16.11.2003-15.11.2007
Adam Vicary	16,000	–	–	16,000	185p	16.11.2003-15.11.2010
	4,000	–	–	4,000	185p	16.11.2003-15.11.2007
	<u>155,000</u>	<u>–</u>	<u>–</u>	<u>155,000</u>		

During the year no share options were granted to Directors as above, none were exercised and none lapsed. There have been no changes in the interests set out above between 1 April 2002 and 22 May 2002.

Remuneration Report

Directors' options *continued*

Gains made by Directors on the exercise of share options amounted to £nil (2001: £nil).

The mid-market price of the shares at 31 March 2002 was 204.5p and ranged between 155.0p and 204.5p during the year.

On behalf of the Board.

Nick Kuenssberg

(Chairman, Remuneration Committee)

27 May 2002

Independent Auditors' Report

to the members of Chamberlin & Hill plc

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the related notes and the additional disclosures within the Remuneration Report relating to the remuneration of Directors specified for our review by the Financial Services Authority.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report as described on pages 7 and 8. This includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 9 to 10 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures, or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Heathcote & Coleman

Chartered Accountants and Registered Auditor
Birmingham

27 May 2002

Consolidated Profit and Loss Account

for the year ended 31 March 2002

	Notes	2002 £000	2001 <i>Restated</i> £000
Turnover	2	30,548	32,521
Cost of sales		(24,017)	(25,214)
Gross profit		6,531	7,307
Other operating expenses	3	(3,986)	(4,342)
Operating profit		2,545	2,965
Exceptional item - restructuring costs		–	(340)
Profit before interest and taxation		2,545	2,625
Interest payable	5	(19)	(32)
Profit on ordinary activities before taxation	6	2,526	2,593
Taxation	7	(778)	(783)
Profit on ordinary activities after taxation		1,748	1,810
Dividends	8	(866)	(836)
Transfer to reserves	19	882	974
Earnings per share	10	24.0p	24.9p
Earnings per share excluding the exceptional item	10	24.0p	28.2p
Fully diluted earnings per share	10	24.0p	24.8p
Dividend per share		11.85p	11.50p
Dividend cover		2.0	2.2

All items dealt with in arriving at the trading profit for both 2002 and 2001 relate to continuing activities.

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2002

	Notes	2002 £000	2001 <i>Restated</i> £000
Profit after taxation		1,748	1,810
Prior Year Adjustment-adoption of FRS 19 'Deferred Taxation'	25	(752)	–
Total recognised gain		996	1,810

Consolidated Balance Sheet

at 31 March 2002

	Notes	2002		2001 Restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		8,892		9,324
Intangible assets	12		229		243
			9,121		9,567
Current assets					
Stocks	13	3,362		3,322	
Debtors	14	6,634		6,922	
Cash at bank and in hand		626		178	
		10,622		10,422	
Creditors: amounts falling due within one year	15	(5,124)		(6,292)	
Net current assets			5,498		4,130
Total assets less current liabilities			14,619		13,697
Provisions	17		(790)		(830)
Net assets			13,829		12,867
Capital and reserves					
Called up share capital	18		1,830		1,818
Share premium account	19		693		625
Capital redemption reserve	19		109		109
Revaluation reserve	19		599		607
Profit and loss account	19		10,598		9,708
Equity shareholders' funds			13,829		12,867

John Eccles }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 27 May 2002

Parent Company Balance Sheet

at 31 March 2002

	Notes	2002		2001 Restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		6,034		6,570
Investments	21		7,159		7,159
			13,193		13,729
Current assets					
Stocks	13	981		822	
Debtors	14	4,526		4,995	
Cash at bank and in hand		1		1	
		5,508		5,818	
Creditors: amounts falling due within one year	15	(5,818)		(6,350)	
Net current assets			(310)		(532)
Total assets less current liabilities			12,883		13,197
Creditors: amounts falling due after more than one year	16		(120)		(120)
Provisions	17		(678)		(710)
Net assets			12,085		12,367
Capital and reserves					
Called up share capital	18		1,830		1,818
Share premium account	19		693		625
Capital redemption reserve	19		109		109
Revaluation reserve	19		599		607
Profit and loss account	19		8,854		9,208
Equity shareholders' funds			12,085		12,367

John Eccles }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 27 May 2002

Consolidated Cash Flow Statement

for the year ended 31 March 2002

	Notes	2002		2001	
		£000	£000	£000	£000
Net cash inflow from operating activities			3,586		3,548
Return on investments and servicing of finance					
Interest paid		(23)		(43)	
Interest received		4		11	
Net cash (outflow) from returns on investments and servicing of finance			(19)		(32)
Taxation					
UK tax paid			(778)		(1,015)
Capital expenditure and financial investment					
Purchase of fixed assets		(1,366)		(1,974)	
Sale of fixed assets		293		28	
Net cash outflow from capital expenditure and financial investment			(1,073)		(1,946)
Equity dividends paid			(844)		(814)
Net cash flow before financing			872		(259)
Financing					
Repayment of loan notes		(504)		(654)	
Issue of shares (incl. premium)		80		-	
Net cash (outflow) from financing			(424)		(654)
Increase/(decrease) in cash and bank balances	26		448		(913)
Reconciliation of operating profit to net cashflow from operating activities					
Operating profit			2,545		2,965
Exceptional item - restructuring costs			-		(217)
Depreciation			1,541		1,474
Profit on disposal			(95)		(9)
Government grants credited			(10)		(10)
Decrease/(increase) in stocks			(40)		14
Decrease/(increase) in debtors			288		(303)
(Decrease) in creditors			(643)		(366)
			3,586		3,548

Notes to the Accounts

1. ACCOUNTING POLICIES

Basis of accounting and consolidation

The accounts have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost convention. Certain assets included at revalued amounts, prior to the implementation of FRS 15 "Tangible Fixed Assets" continue to be carried at those revalued amounts less depreciation. The last valuation was carried out in 1980. The principal accounting policies have been applied consistently except for the accounting for deferred taxation as described in Note 25. The consolidated accounts incorporate the accounts of Chamberlin & Hill plc and subsidiary undertakings made up to 31 March 2002. As provided by Section 230 of the Companies Act 1985 no separate profit and loss account is included for the Parent Company.

Turnover

Turnover is the total amount receivable for goods and services supplied to external customers of the Group and excludes value added tax.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life. The principal rates used were as follows:-

Freehold buildings		2%
Plant and machinery	general plant	10%-20%
	fixtures and fittings	10%-33%
	patterns and tools	20%-50%
Motor vehicles		20%-33%

Freehold land is not depreciated.

Leasehold Buildings are depreciated over a period not longer than the unexpired period of the lease.

Stock and work in progress

Stock is stated at the lower of cost and net realisable value. In the case of work in progress and finished goods, cost consists of selling price less appropriate deductions for margin and stage of production reached, such basis being consistent with that of previous years.

Deferred taxation

Provision is made under the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes, except any liability arising on a taxable gain which has been "rolled over". Deferred tax liabilities are not discounted. The effects of this change in accounting policy are disclosed in note 25.

Pensions

Pension schemes are operated by the Company and subsidiary undertakings employing the majority of Group employees. Contributions to the schemes are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives.

Leased assets

Assets acquired under finance leases have been recorded in the balance sheet as fixed tangible assets at their equivalent capital value and are depreciated over the expected useful life of the asset. The corresponding liability has been recorded as a creditor and the interest element of the lease payments is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account as incurred.

Notes to the Accounts

1. ACCOUNTING POLICIES (continued)

Government grants

Capital based grants are credited to a deferred income account and released to the profit and loss account over the useful life of the assets to which they relate. Revenue based grants are credited to the profit and loss account in the year in which they are receivable.

Financial instruments

All short-term debtors and creditors are excluded from the disclosures of FRS 13 "Derivatives and other financial instruments" other than currency risk disclosures. The Group uses foreign currency bank accounts for hedging purposes in line with its risk management policy and no trading in financial instruments is undertaken.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

Goodwill

Purchased goodwill prior to 31 March 1998, representing the difference between the consideration and the fair value of net assets acquired, was immediately set off against reserves. On disposal of businesses, goodwill previously written off under this policy is written back through the profit and loss account. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10. Positive goodwill arising on acquisitions since 31 March 1998 is capitalised and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Notes to the Accounts

2 SEGMENTAL ANALYSIS

(i) By class of business

	<i>Iron founding</i>		<i>Light Engineering</i>		<i>Total</i>	
	2002	2001	2002	2001	2002	2001 Restated
	£000	£000	£000	£000	£000	£000
Turnover						
Total sales	20,181	21,417	10,654	11,677	30,835	33,094
Inter-segment sales	(287)	(563)	–	(10)	(287)	(573)
Sales to third parties	19,894	20,854	10,654	11,667	30,548	32,521
Profit						
Trading profit	2,037	2,371	967	1,021	3,004	3,392
Common costs					(459)	(427)
Exceptional item – restructuring costs					–	(340)
Net interest payable					(19)	(32)
Group profit before taxation					2,526	2,593
Net assets						
Segmental net assets	9,975	9,786	4,830	4,903	14,805	14,689
Unallocated assets and borrowings					(976)	(1,822)
Total net assets					13,829	12,867
(ii) By geographical destination						
Turnover					2002 £000	2001 £000
United Kingdom					26,055	27,727
Europe					3,398	3,722
Other countries					1,095	1,072
					30,548	32,521

3 OTHER OPERATING EXPENSES

	2002 £000	2001 £000
Distribution costs	733	838
Administration and selling expenses	3,253	3,504
	3,986	4,342

Notes to the Accounts

4 STAFF NUMBERS AND COSTS

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

	2002	2001
Management and administration	85	90
Production	418	468
Total employees	<u>503</u>	<u>558</u>

The aggregate employment costs of these employees were as follows:

	2002 £000	2001 £000
Wages and salaries	9,680	10,624
Social security costs	843	962
Other pension costs	485	428
	<u>11,008</u>	<u>12,014</u>

Details of Directors' remuneration, shareholdings, share options and pension entitlements are included within the Remuneration Committee Report on pages 11 to 14.

5 INTEREST PAYABLE

	2002 £000	2001 £000
Bank interest receivable	4	11
Loan note interest payable	(1)	(27)
Bank overdraft interest payable	(22)	(16)
	<u>(19)</u>	<u>(32)</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £000	2001 £000
This is stated after charging:		
Profit on disposal of fixed assets	(95)	(9)
Depreciation of owned assets	1,527	1,460
Amortisation of Goodwill	14	14
Auditors' remuneration (Company £12,000 (2001: £11,000))	32	32
Rentals under operating leases:		
Hire of plant and equipment	33	42
Other	163	118

In addition to the above, the auditors received £22,000 (2001: £24,000) in the year for other services.

Notes to the Accounts

7 TAXATION

	2002 £000	2001 £000
<i>Current tax:</i>		
U.K. Corporation tax at 30% (2001: 30%) based on taxable profit for the year	830	788
Prior year adjustment	(12)	(7)
	<u>818</u>	<u>781</u>
<i>Deferred taxation</i>		
Movement in year	(40)	2
	<u>778</u>	<u>783</u>
Reconciliation of current tax charge		
Profit on ordinary activities before tax	2,526	2,593
Corporation tax at standard rate of 30% (2001: 30%) on profit before tax	758	778
<i>Adjusted by the effects of:</i>		
Expenses not deductible for tax purposes	25	5
Depreciation in excess of capital allowances	40	(2)
Other movements	(5)	–
	<u>818</u>	<u>781</u>

8 DIVIDENDS

	2002 £000	2001 £000
<i>Paid:</i>		
Interim dividend of 3.85p per share (2001: 3.75p)	280	273
<i>Proposed:</i>		
Final dividend of 8.00p per share (2001: 7.75p)	586	563
	<u>866</u>	<u>836</u>

9 TRANSFER TO RESERVES

The loss dealt with in the accounts of the parent company was £362,000 (2001: £56,000).

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders and the weighted average number of ordinary shares in issue as follows. In calculating the diluted earnings per share, adjustment has been made for the dilutive effect of outstanding share options.

	2002 £000	2001 <i>Restated</i> £000
Earnings for pre exceptional earnings per share	1,748	2,048
Exceptional item	–	(340)
Taxation effect of exceptional item	–	102
Earnings for basic and diluted earnings per share	<u>1,748</u>	<u>1,810</u>

Notes to the Accounts

10 EARNINGS PER SHARE (continued)	2002	2001
	000	Restated 000
Weighted average number of ordinary shares	7,274	7,272
Adjustment to reflect shares under options	10	28
Weighted average number of ordinary shares - fully diluted	7,284	7,300

11 TANGIBLE FIXED ASSETS

Group	<i>Total</i> £000	<i>Land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Motor vehicles</i> £000
<i>Cost or valuation</i>				
At 1 April 2001	25,030	4,090	20,187	753
Additions	1,293	192	866	235
Disposals	(682)	(178)	(212)	(292)
At 31 March 2002	25,641	4,104	20,841	696
At cost	24,299	2,762	20,841	696
At valuation 1980	1,342	1,342	–	–
	25,641	4,104	20,841	696
<i>Depreciation</i>				
At 1 April 2001	15,706	972	14,286	448
Charge for year	1,527	90	1,316	121
Disposals	(484)	(55)	(212)	(217)
At 31 March 2002	16,749	1,007	15,390	352
<i>Net book value</i>				
At 31 March 2002	8,892	3,097	5,451	344
At 31 March 2001	9,324	3,118	5,901	305

Net book value of land and buildings comprises:-	2002	2001
	£000	£000
Freehold	3,006	2,947
Short leasehold	91	172
	3,097	3,119

Company	<i>Total</i> £000	<i>Land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Motor vehicles</i> £000
<i>Cost or valuation</i>				
At 1 April 2001	16,783	2,512	13,903	368
Additions	497	–	355	142
Disposals	(229)	–	(83)	(146)
At 31 March 2002	17,051	2,512	14,175	364
At cost	15,709	1,170	14,175	364
At valuation 1980	1,342	1,342	–	–
	17,051	2,512	14,175	364

Notes to the Accounts

11 TANGIBLE FIXED ASSETS (continued)

	<i>Total</i> £000	<i>Land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Motor vehicles</i> £000
<i>Depreciation</i>				
At 1 April 2001	10,213	661	9,325	227
Charge for year	989	44	880	65
Disposals	(185)	–	(83)	(102)
At 31 March 2002	11,017	705	10,122	190
<i>Net book value</i>				
At 31 March 2002	6,034	1,807	4,053	174
At 31 March 2001	6,570	1,851	4,578	141

	<i>Group</i> £000	<i>Company</i> £000
Freehold land included above not subject to depreciation amounted to:	679	408

The amount of freehold land and buildings determined according to the historical cost accounting rules is as follows:

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£000	£000	£000	£000
Cost	3,407	3,393	1,775	1,775
Depreciation	(949)	(922)	(648)	(611)
Net book value	2,458	2,471	1,127	1,164

12 INTANGIBLE FIXED ASSETS - GOODWILL

	<i>Total</i> £000
<i>Cost</i>	
At 1 April 2001 and 31 March 2002	271
<i>Amortisation</i>	
At 1 April 2001	28
Charge for year	14
At 31 March 2002	42
<i>Net Book Value</i>	
At 31 March 2002	229
At 31 March 2001	243

Notes to the Accounts

13 STOCKS

	<i>Group</i>		<i>Company</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Raw materials	1,216	1,207	145	134
Work in progress	685	643	295	191
Finished goods	1,461	1,472	541	497
	3,362	3,322	981	822

14 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Due within one year				
Trade debtors	6,363	6,782	3,092	3,558
Other debtors	68	5	2	–
Prepayments	203	135	82	87
Amounts due from subsidiary undertakings	–	–	1,350	1,350
	6,634	6,922	4,526	4,995

15 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due within one year				
Bank overdraft (repayable on demand)	–	–	275	445
Loan notes	–	504	–	504
Trade creditors	2,872	3,309	1,314	1,731
Corporation tax	508	470	189	172
Other taxation and social security	562	493	267	203
Other creditors	141	280	112	176
Accruals	455	672	233	380
Proposed dividend	586	564	586	564
Amounts owed to subsidiary undertakings	–	–	2,842	2,175
	5,124	6,292	5,818	6,350

Interest payable on the unsecured loan notes is equivalent to the quarterly deposit rate of HSBC plc.

In April 2001 loan notes totalling £504,000 were redeemed at par.

16 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts falling due after more than one year				
Amounts owed to subsidiary undertakings	–	–	120	120

The amount owed by the Company to non-trading subsidiary undertakings is a non-interest bearing loan, and is repayable in more than five years.

Notes to the Accounts

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Movement in deferred taxation during the year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
		<i>Restated</i>		<i>Restated</i>
	£000	£000	£000	£000
Balance brought forward	830	828	710	710
Charge/(credit) for the year	(40)	2	(32)	–
Balance carried forward	790	830	678	710

	2002		2001	
	Amount not provided	Amount provided	Amount not provided	Amount provided
			<i>Restated</i>	<i>Restated</i>
	£000	£000	£000	£000
Group				
Capital allowances	–	790	–	830
Capital gains	475	–	475	–
	475	790	475	830
Company				
Capital allowances	–	678	–	710
Capital gains	392	–	392	–
	392	678	392	710

No provision has been made for deferred tax on the surplus on revaluation of land and buildings as it is anticipated that such potential liabilities will be deferred indefinitely.

18 SHARE CAPITAL

	2002	2001
	£000	£000
Authorised Ordinary shares of 25p	2,250	2,250
Allotted, called up and fully paid Ordinary shares of 25p		
At 1 April 2001	1,818	1,818
Issued under the share option scheme	12	–
At 31 March 2002	1,830	1,818

During the year the Company issued 50,000 shares of 25p each at 160p following the exercise of options under the executive share option schemes. No shares were issued during the previous year.

Options outstanding at 31 March 2002 were:

<i>No. of shares</i>	<i>Price payable</i>	<i>Exercisable between</i>
56,250	160p	10.09.2000-09.09.2007
62,250	160p	10.09.2000-09.09.2004
52,250	185p	16.11.2003-15.11.2010
82,750	185p	16.11.2003-15.11.2007

Notes to the Accounts

19 RESERVES	<i>Capital redemption reserve</i> £000	<i>Share premium account</i> £000	<i>Revaluation reserve</i> £000	<i>Profit and loss account</i> £000
Group				
At 1 April 2001	109	625	607	10,460
Prior year adjustment (note 25)	–	–	–	(752)
Arising on issue of shares	–	68	–	–
Retained profit for the year	–	–	–	882
Transfer between reserves	–	–	(8)	8
At 31 March 2002	109	693	599	10,598
Company				
At 1 April 2001	109	625	607	9,918
Prior year adjustment	–	–	–	(710)
Arising on issue of shares	–	68	–	–
Retained loss for the year	–	–	–	(362)
Transfer between reserves	–	–	(8)	8
At 31 March 2002	109	693	599	8,854

The cumulative amount of goodwill written off against reserves is £3,663,000 (2001: £3,663,000).

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £000	2001 <i>Restated</i> £000
Profit for the year	1,748	1,810
Dividends	(866)	(836)
Issue of share capital	80	–
Net movement in the year	962	974
Shareholders' funds at 31 March 2001	12,867	12,643
	13,829	13,617
Prior year adjustment (note 25)	–	(750)
Shareholders' funds at 31 March 2002	13,829	12,867

21 FIXED ASSET INVESTMENTS

	2002 £000	2001 £000
<i>Shares in subsidiary undertakings</i>		
At cost less amounts written off	7,159	7,159

<i>Wholly owned operating subsidiaries</i>	<i>Principal activity</i>
Fred Duncombe Ltd.	Architectural hardware
Ductile Castings Ltd.	Large engineering castings
PFP Electrical Products Ltd.	Lighting, switchgear and electrical installation products

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

Notes to the Accounts

22 PENSION ARRANGEMENTS

During the year, the Group operated funded defined benefit and defined contribution pension schemes for the majority of its employees, these being established under trusts with the assets held separately from those of the Group. The pension cost for the Group for 2002 was £485,000. (2001: £428,000).

The major scheme is a defined benefits scheme providing benefits based on final salary. Contributions for the scheme are charged to the profit and loss account so as to spread the cost of pensions over members' working lives with the Group. The pension cost charged to the profit and loss account is calculated by a qualified actuary and is determined as a substantially level percentage of the current and expected future pensionable payroll. The pension cost has been projected from the actuarial valuation carried out as at 1 April 2001 which used the projected unit method. The market value of the scheme's assets on that date was £9,957,000 and the actuarial value of these assets represented 93% of the benefits that had accrued to members allowing for expected future increases in salaries (which from 1 April 2002 are limited by inflation).

The assumptions having the greatest effect on the pension costs are those relating to the rate of return on the scheme investments and the rate of increase in salaries. In calculating the pension cost it was assumed that over the long-term the yield earned on investments would exceed the rate of salary increases by 3.4% per annum and the statutory "LPI" rate of increase to pensions in payment (other than GMPs) by 2.9% per annum.

SSAP24 AND FRS17

The financial statements have, as last year, been prepared in accordance with SSAP24. However, following the introduction of FRS17 this note now includes below the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS17.

The full actuarial valuation carried out at 1 April 2001 was updated to 31 March 2002 by the qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2002
Rate of increase in salaries	2.8%
Rate of increase of pensions in payment – post 1997 accrual only	2.8%
Discount rate	6.0%
Inflation assumption	2.8%

The assets in the scheme and the expected rate of return were:

	At 31 March 2002	
	Rate of Return %	Asset Value £000
Equities	7.50	6,631
Gilts	4.75	3,046
Bonds	5.50	–
Cash	3.50	116
Total market value of assets		9,793
Actuarial value of liability		(10,893)
Recoverable deficit in scheme		(1,100)
Related deferred tax asset		330
Net pension liability		(770)

Notes to the Accounts

22 PENSION ARRANGEMENTS (continued)

The effect this would have on the net assets of the Group at 31 March 2002 is as follows:

	At 31 March 2002 £000
Net assets excluding pension liability	13,829
Net Pension liability	(770)
Net assets including pension liability	<u>13,059</u>
Profit and loss account excluding pension reserve	10,598
Pension reserve	(770)
Profit and loss account including pension reserve	<u>9,828</u>

The actuarial valuation as at 1 April 2001 showed a deficit of £742,000 on the on-going assumptions adopted. The Company is paying contributions to the scheme at the rate of 15.4% (reducing by 1% from April 2002) in order to correct the funding position.

The defined benefit scheme was effectively closed to new members from 1 April 2001. All new employees within the Group from 1 April 2002 are offered membership of a 'Stakeholder' pension scheme which includes a Company contribution.

The other schemes operated during the year were defined contribution schemes and the pension cost represented contributions payable.

23 CONTINGENT LIABILITIES

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's bank overdrafts. The borrowings of the subsidiaries at 31 March 2002 amounted to £nil (2001: £nil).

24 FINANCIAL COMMITMENTS

	<i>Group</i>		<i>Company</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Capital expenditure				
Contracted for but not provided in the accounts	1,292	109	265	46

Lease commitments

The Group had annual commitments under operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2002 £000	2001 £000	2002 £000	2001 £000
Leases terminating:				
within one year	–	–	–	5
between two and five years	43	43	5	31
after more than five years	96	94	–	–

Notes to the Accounts

25 CHANGE TO ACCOUNTING POLICY

Deferred taxation

The Board has fully adopted the requirements of Financial Reporting Standard 19 "Deferred Taxation" in the year, resulting in a prior year adjustment.

The previous policy was as follows:-

"Provision is made under the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes, except where those amounts are not regarded as likely to become payable in the foreseeable future."

The amended policy is:-

"Provision is made under the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes, except any liability arising on a taxable gain which has been 'rolled over'. Deferred tax liabilities are not discounted."

The impact of this change in policy is

	2002	2001
	£000	£000
Profit and Loss Account		
(Reduction)/Increase in tax charge	(40)	2
Balance Sheet		
(Reduction) in net assets	(712)	(752)

Comparative figures have been restated accordingly.

26 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	2002	2001
	£000	£000
Increase/(Decrease) in cash in the year	448	(913)
Cash outflow from debt and lease financing	504	654
Change in net funds arising from cashflows	952	(259)
Other non cash movements	-	(504)
Movement in net funds in the year	952	(763)
Net funds at 31 March 2001	(326)	437
Net funds at 31 March 2002	626	(326)

27 CURRENCY ANALYSIS

The Group's functional currency is sterling. At the year end it had net monetary assets/(liabilities) denominated in Euros of £(18,000) (2001: £90,000).

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Friday 26 July 2002 at the Registered Office, Chuckery Foundry, Walsall at 12.30 p.m. for the following purposes.

Ordinary business

1. To receive the Report of the Directors and Statement of Accounts for the year ended 31 March 2002. (Resolution 1)
2. To declare a Final Dividend on the Ordinary Shares. (Resolution 2)
3. To re-elect as a Director Peter Bell who is retiring by rotation pursuant to article 107 of the Company's Articles of Association. (Resolution 3)
4. To re-elect as a Director John Bather who is retiring by rotation pursuant to article 107 of the Company's Articles of Association. (Resolution 4)
5. To elect Adam Vicary who is vacating office pursuant to article 112 of the Company's Articles of Association. (Resolution 5)
6. To re-appoint Heathcote & Coleman as Auditors and authorise the Directors to fix their remuneration. (Resolution 6)

Special business

7. To consider and, if thought fit, pass the following as a special resolution:
That the Company be and hereby is generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") provided that:-
 - (i) the maximum number of Ordinary shares which may be purchased is 730,000;
 - (ii) the minimum price which may be paid for each Ordinary share is 25 pence;
 - (iii) 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 United Kingdom Listing Authority for the five dealing days immediately preceding the day on which the Ordinary share in question is purchased; and
 - (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or (if earlier) within 12 months from the date of passing this resolution (except in relation to the purchase of Ordinary shares the contract for which remains wholly or partly executory at that time) unless such authority is renewed prior to that time. (Resolution 7)
8. To transact any other business of an Annual General Meeting.

Any member of the Company entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and vote on a poll instead of him, for which purpose a form of proxy is enclosed. Proxies must be lodged at the office of the Company's Registrars, Neville Registrars Ltd, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not later than 48 hours before the time of the 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.

By order of the Board

Peter Bell
Company Secretary
21 June 2002

Chuckery Foundry
Walsall
WS1 2DU

General Information

Warrants for the final dividend, if approved at the Meeting, will be posted on 26 July 2002 to shareholders registered at the close of business on 5 July 2002.

There will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public Holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting:-

- (a) Particulars of the transactions of Directors and of their family interests in the shares of the Company.
- (b) Copies of contracts of service of Directors with the Company or with any of its subsidiary undertakings.

An explanation of Resolution 7 is set out in the Report of the Directors on page 7.

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

Financial History

	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Turnover	30,548	32,521	31,531	30,061	28,413
Operating profit	2,545	2,965	3,308	3,026	2,472
Exceptional item	–	(340)	–	–	155
Interest (payable)/receivable	(19)	(32)	(7)	28	104
Profit before taxation	2,526	2,593	3,301	3,054	2,731
Taxation	(778)	(783)	(932)	(1,002)	(759)
Profit after taxation	1,748	1,810	2,369	2,052	1,972
Dividends	(866)	(836)	(800)	(788)	(702)
Transfer to reserves	882	974	1,569	1,264	1,270
Operating profit as a percentage of turnover	8.3	9.1	10.5	10.1	8.7
Earnings per share (pence)	24.0	24.9	30.9	26.7	25.6
Dividend per share (pence)	11.85	11.50	11.00	10.20	9.25
	£000	£000	£000	£000	£000
Funds employed	13,829	12,867	11,893	11,136	9,560
Percentage of operating profits to funds employed	18.4	23.0	27.8	27.2	25.9

The figures in earlier years have been restated to reflect a full provision for deferred taxation as required by Financial Reporting Standard 19 "Deferred Taxation".

Form of Proxy

I/We
 (Please use Block Capitals)

of
 being a member(s) of Chamberlin & Hill PLC hereby appoint the Chairman of the Meeting or

..... as
 my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 26 July 2002 and at any adjournment thereof.

Ordinary Resolutions	For	Against
1. To receive and adopt the report and accounts.		
2. To declare a final dividend.		
3. To re-elect Peter Bell as a Director.		
4. To re-elect John Bather as a Director.		
5. To elect Adam Vicary as a Director		
6. To re-appoint the Auditors and authorise the Directors to fix their remuneration.		
Special Resolution		
7. To generally authorise the Company to purchase its own shares.		

Please indicate with an "X" how you wish your votes to be cast.

Dated this.....day of2002

Signed

Notes:

1. You may if you wish strike out the words "the Chairman of the Meeting or" and substitute the name and address of some other person, who need not be a member of the Company.
2. To be valid this proxy form, duly signed, must be sent to the address shown overleaf to arrive not later than 48 hours before the time appointed for the Meeting.
3. In the absence of any specific instructions, the proxy will vote or abstain as he thinks fit, in respect of the members' total holding.
4. Any alteration to this proxy form should be initialled.
5. In the case of joint holdings, only one holder need sign but the names of all joint holders should be given.
6. If the shareholder is a Corporation this proxy should be made under its common seal or signed on its behalf by a duly authorised person.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. BM 3865



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

THIRD FOLD AND TUCK IN

FIRST FOLD

Chamberlin & Hill PLC

Manufacturing Units

Principal Activities and Markets

 <p>Chamberlin + hill Walsall Foundry</p>	<p>Walsall Foundry Chuckery Road Walsall, WS1 2DU Tel: 01922 721411 Fax: 01922 638370</p>	<p>Small repetition grey iron castings, principally for the automotive sector.</p>
 <p>Chamberlin + hill Bloxwich Foundry</p>	<p>Bloxwich Foundry Reeves Street Bloxwich WS3 2DW Tel: 01922 492000 Fax 01922 710791</p>	<p>Thin section castings in malleable and SG iron, mainly associated with the electrical, construction and transport industries.</p>
 <p>DUCTILE CASTINGS</p>	<p>Ductile Castings Ltd Trent Foundry Dawes Lane Scunthorpe DN15 6UW Tel: 01724 862152 Fax: 01724 280461</p>	<p>Large grey, ductile and alloyed iron castings for a range of applications including gas turbine generators, printing rolls for metal decorating, vacuum pumps, bearing housings and straightening rolls for steel sections.</p>
  	<p>PFP Electrical Products Ltd Fortnum Close, Mackadown Lane Kitts Green Birmingham B33 0LB Tel. 0121 783 7161 Fax: 0121 783 5717</p>	<p>Lighting switchgear and electrical installation products for petro-chemical and construction applications.</p>
  	<p>Fred Duncombe Ltd Progress Drive Cannock WS11 3JE Tel. 01543 460030 Fax: 01543 573534</p>	<p>Emergency exit hardware and traditional architectural ironmongery directed mainly at the DIY and construction markets.</p>



Chamberlin & Hill plc

Chuckery Foundry, Walsall, West Midlands WS1 2DU

Tel: 01922 721411 Fax: 01922 638370

website: <http://www.chamberlin.co.uk>

email: plc@chamberlin.co.uk