



Chamberlin & Hill plc
Report and Accounts 2003

Contents

The Year in Brief	1
Directors and Advisors	2
Chairman's Statement	3
Chief Executive's Review	4
Report of the Directors	6
Corporate Governance	9
Directors' Remuneration Report	11
Independent Auditors' Report	15
Consolidated Profit and Loss Account	16
Statement of Total Recognised Gains and Losses	16
Consolidated Balance Sheet	17
Parent Company Balance Sheet	18
Consolidated Cash Flow Statement	19
Notes to the Accounts	20
Notice of Meeting	35
Financial History	36

“ 2002/03 proved to be a difficult year for manufacturing industry in the UK, and Chamberlin & Hill was no exception. ”

- **Turnover down 11.5%**
- **Operating profit down to £1.373 million**
- **Dividend maintained at 11.85p for the year**
- **Strong ungeared balance sheet**

	2003	2002
	£000	£000
Turnover	27,027	30,548
Operating profit	1,373	2,545
Adjusted earnings per share*	13.3p	24.0p
Dividends per share	11.85p	11.85p

*before exceptional item

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., C.C.M.I., FINSTD. A. Vicary, M.Sc., B.Eng. (Hons) (Foundry Operations)
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 LLP, Birmingham
Stockbrokers	Arbuthnot Securities Limited, 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

This time last year we were looking for an improvement in trading conditions. In the event we were disappointed. Indeed, with slow trading continuing, combined with pressures to lower selling prices and significant upward pressure on costs notably insurance, but also material prices, we were faced with a year when although we held our own we made no overall progress.

With both turnover and margins down, operating profit fell to £1,373,000 (2002: £2,545,000) and adjusted earnings per share (before restructuring costs) to 13.3p (2002: 24.0p). The Directors are recommending a maintained final dividend of 8.00 pence. The balance sheet remains strong with net cash in the bank of £692,000 at the year end. Whilst last year was a disappointment, we are now one year nearer to an upturn if past experience of engineering business cycles is a reliable guide, and we certainly see no evidence that the economy is behaving that much differently to the way it has behaved over the years.

In a year when trading is tough it is tempting to avoid difficult decisions in order to protect short term

results. Cutting costs, particularly reducing the number of employees, is both unwelcome and expensive as our restructuring costs of £451,000 demonstrate. On the other side of the coin, a continuance of capital expenditure and vigorous product development also limits short term results. As we see it, we have no sensible alternative but to continue with an aggressive policy of improvement.

The world does not stand still just because we have a pause in trading progress. Last year was no exception. Not unexpectedly one product which has stood us in good stead over the years has gone to imports from the Far East, and we are ourselves now importers of the product. We have also been affected by business failure in circumstances when we believed it right to support a customer who faced similar problems, but in the event could not contain them. These judgements are not easy to reach and it would be a bold Chairman who claimed that we will always get them right. Any more than we are certain to be right about exchange rates as we trade in Euros with our French and German customers. Nevertheless, your Board is certain that under

Barrie Williams' leadership we are pursuing sound policies with confidence and good judgement and the proof that the mixture is right comes out in a strong balance sheet and a positive cash position with nil net borrowings. We are pursuing tomorrow's opportunities with determination. They will emerge and we will be able to take them with confidence.

Meanwhile it is too soon to call an upturn. The pressures on costs and prices remain. We are winning new business but schedules are not yet sufficiently buoyant. There will come a day when the cycle turns and when it does I am confident that we will break new ground. We have a good team well led, and with a strong balance sheet to back sound market positions we have every prospect of resuming progress.

John Eccles
Chairman

Chief Executive's Review

Results

2002/03 proved to be a particularly difficult year for manufacturing industry in the UK, and Chamberlin & Hill was no exception. Turnover, down 10.8% at the interim stage, fell to £27.0m for the year as a whole compared to £30.5m in 2001/02, a fall of 11.5%. At this level sales were broadly in line with the national statistics for production output for engineering and allied industries. Margins fell as the effect of fixed costs took their toll; net operating margin for the year was 5.1% compared to 8.3% last time. We again experienced demands for price down as well as pressure from higher costs. Of significant importance this year was the near 25% increase in the cost of many of the major raw materials for our foundries in the last quarter of the year.

Foundry sales fell by 9.4% to £18.0m. This fall occurred mainly at Walsall and Bloxwich with a small reduction at Ductile Castings. A similar picture emerged in our engineering businesses, where the reduction in sales at PFP was some 13.1% and at FD 17.3%. Sales per head fell to £57,800, the first fall for 10 years. Our export

sales grew in real volume, increasing to 17.1% of the group's total compared to 14.7% in 2001/02. At the trading level, profit in the foundries fell to £1.094m while in the engineering businesses it was £0.744m.

To accommodate the downturn in activity we instigated some restructuring, leading to a fall in the number of employees to 438 at the year end with an associated exceptional cost of £316,000. A further exceptional amount of £135,000 has been provided against stock at PFP as a consequence of its changing markets, and changed position within ongoing markets. In particular a different pattern of sales emerged in the market for electrical conduit fittings, where most supplies are now imported from low cost economies. This also had an impact on the market position and volume of business at Bloxwich Foundry.

Investment

Capital expenditure for the year was £1.71m. The major item was the installation of the assets bought at the beginning of the year from H. Bingham & Sons, Doncaster, on

the Scunthorpe site. The new foundry, producing steel and SG iron castings, was commissioned in June 2002. Since that time good progress has been made with sales reaching an annual rate of approximately £1m by the year end with a positive contribution to operating profit. A number of new customers are currently being brought on stream. Other investments include the purchase of further Barinder robotic grinding machines and investment in new market opportunities at Walsall Foundry. There has been further development of our Exidor range and investment for successful margin improvement in the manufacture of our range of Webb Lloyd handles at FD. At PFP we increased our capacity to assemble switch & socket boxes, also achieving a considerable productivity improvement.

Outlook

In our foundry businesses we are concentrating on both consolidating our entry into new markets and further rationalisation. These initiatives include increasing our output at Bloxwich Foundry of ductile iron castings, particularly within the automotive and general

engineering sector, and further extending our production of austempered ductile iron (ADI). At Walsall we expect to expand our activity in the production of castings for turbo charging applications and hydraulic control. Opportunities in markets for compressors, railway applications and construction should enable Ductile Castings to achieve growth in volume and efficiencies in the new foundry in the year ahead. In our engineering businesses we will be seeking at FD to expand our market position as well as continuing to launch other new products in the Exidor range. We also look to extend our activity into the wider European market in the year ahead. At PFP we will increase our range of cable management products, as well as actively seeking growth in this sector. There will also be some further new products in our range of hazardous area lighting.

For the future we are looking to build on the foundations put in place this year. We will develop sales in a number of new markets, improve operating margins and increase the contribution from Ductile Castings following our

investment there. We are cautiously optimistic that demand will grow as the year progresses, albeit slowly. We intend to ensure that productivity gains continue to be achieved in all our operations.

Our acquisition strategy remains one of pursuing appropriate opportunities as and when they become available.

Once again, I would like to thank most sincerely all the members of our team for their hard work and diligence during the year.

Barrie Williams
Chief Executive

Report of the Directors

The Directors present their Annual Report and Accounts for the year ended 31 March 2003.

Principal activities

The Group is engaged in ferrous founding 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 £658,000 (2002: £1,748,000). After dividends the deficit is £213,000 (2002: £882,000 surplus). Movements in Reserves are shown in Note 20.

Dividends

The Directors recommend the payment of a final dividend of 8.00p per share payable on 25 July 2003 which together with the interim dividend of 3.85p per share paid on 19 December 2002, totals 11.85p for the year (2002: 11.85p).

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 Directors' Remuneration Report on pages 11 to 14. All Directors held office throughout the year.

Barrie Williams and Nick Kuenssberg retire from office as Directors and, being eligible, offer themselves for re-election. Barrie Williams has a service agreement which provides for termination by the Company on not less than two years notice. Nick Kuenssberg 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 72, 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 69, John Bather has been a Director since 1964. He was formerly Managing Director and now serves as Deputy Chairman.

Nick Kuenssberg

Aged 60, he was appointed a Director in 1999. He is Chairman of Iomart Group plc, GAP Group Ltd and chairman and director of other companies.

Report of the Directors

Executive Directors

Barrie Williams

Aged 59, 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 52, he joined the Company in 1969 and was appointed Company Secretary in 1987. He was appointed to the Board in 1995.

Adam Vicary

Aged 35, he joined the Company in 1988 and was appointed to the Board in September 2001. Having spent the last three years as Managing Director at Ductile Castings Limited, he has now taken on responsibility for foundry operations.

Special Business

Authority to purchase own shares

At the Annual General Meeting in 2002, the Board was given authority to purchase and cancel up to 730,000 of its own shares representing 10% 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 23 May 2003. 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 35. 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 23 May 2003 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	13.63
Mrs. A. C. Thorburn	640,000	8.72
Imperial Pensions Nominees Ltd.	575,000	7.83
Discretionary Unit Fund	500,000	6.81
Mr. M. E. Love & Mrs. J. M. Love	263,158	3.58
Citifriends Nominees Ltd	250,000	3.40
Perfecta Assets Ltd	240,000	3.27

Report of the Directors

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.

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 £950 (2002: £1,500). There were no political donations.

Employee involvement

Arrangements which existed in the year under review and for many years past for the involvement of employees have included management/employee briefings, union meetings 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 to settle the terms of payment when entering into a business relationship with a supplier, to ensure that suppliers are aware of the terms of payment, and to abide by the terms of payment.

The Group's average creditor payment period at 31 March 2003 was 50 days (2002: 52 days) and that of the Company was 47 days (2002: 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 referred to 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 2003

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 Directors' 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 12 in the Directors' 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 major 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. Further details are shown in the Directors' Remuneration Report.

(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 in accordance with the guidance set out in "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Guidance). 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 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 2003

Directors' Remuneration Report

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 policy and packages of the Executive Directors.

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 end of year cash position. The maximum amount of bonus payable is 60% of their basic salary.

Adam Vicary receives annual bonus payments dependent on both annual profit targets and on the improvement in earnings per share and the end of year cash position. The maximum amount payable is 60% of his basic salary.

(c) *Share options*

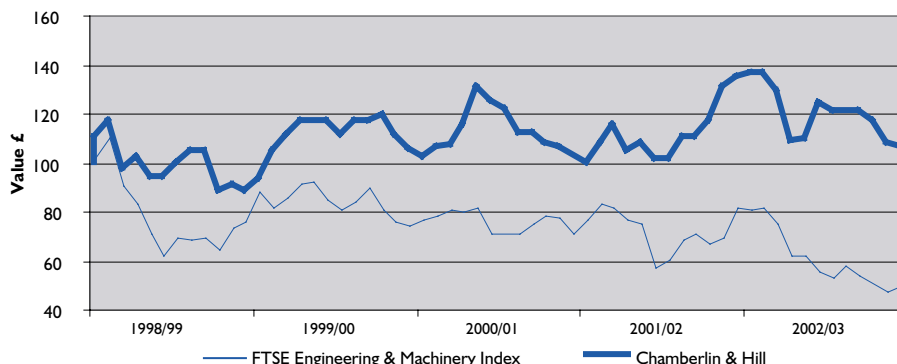
An incentive to achieve longer-term improvements in shareholder value is afforded through share options. An Approved Scheme and an Unapproved Scheme for Senior Executives were established in 1997.

Option grants are exercisable only upon the achievement of performance targets to be determined by the Committee when options are granted. Currently performance 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 6%.

Performance Graph

The following graph shows the Company's performance compared to the performance of the FTSE engineering and machinery index over a five year period, measured by total shareholder return. This index has been selected as an appropriate benchmark because it represents the market sector in which the Company operates.

Total shareholder return is calculated to show the theoretical growth in the value of a shareholding over a specified period, assuming that dividends are re-invested to purchase additional shares.



Directors' Remuneration Report

Service contracts

Barrie Williams and Peter Bell have written service contracts dated 25 April 1996 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 dated 28 June 1999.

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. The Non-Executive Directors do not have formal contracts.

Directors' remuneration and pension entitlements

The auditors have reported on the information contained in this section of the report.

Directors' emoluments

	<i>Basic salary</i>	<i>Fees</i>	<i>Benefits</i>	<i>Annual bonus</i>	<i>Total emoluments excluding pensions</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	2003 £000	2002 £000
Executive						
Barrie Williams	111	–	23	16	150	136
Peter Bell	86	–	8	13	107	106
Adam Vicary (from 27.09.01)	63	–	11	5	79	38
Alf Edwards (to 27.07.01)	–	–	–	–	–	35
Non-Executive						
John Eccles	–	30	3	–	33	34
John Bather	–	18	2	–	20	20
Nick Kuenssberg	–	18*	–	–	18	18
Total	260	66	47	34	407	387
<i>Total 2001/2002</i>	<i>246</i>	<i>66</i>	<i>39</i>	<i>36</i>	<i>387</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' Remuneration Report

Directors' pensions

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

	Age at year end	Accrued benefit at 31 March 2002	Change in accrued benefit due to inflation	Change in accrued benefit due to other factors	Accrued benefit at 31 March 2003 (Note 1)	Transfer value at 31 March 2002	Directors' contributions (note 2)	Increase in transfer value net of directors' contributions	Transfer value at 31 March 2003
		£000	£000	£000	£000	£000	£000	£000	£000
Barrie Williams	59	66	1	2	69	753	8	188	949
Peter Bell	52	45	1	1	47	350	6	78	434
Adam Vicary	35	8	-	1	9	26	4	7	37

Notes:-

1. The pension entitlement shown is that paid annually at normal retirement age of 63, based on service to 31 March 2003.
2. These relate to the contributions paid or payable in the year by the Directors under the terms of the scheme.
3. All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 on the assumption that all Directors will retire at 63. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme.

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 2003	31 March 2002
John Eccles	240,750	240,750
John Bather	771,018	771,018
Barrie Williams	50,000	44,000
Peter Bell	18,000	18,000
Nick Kuenssberg	25,000	20,000
Adam Vicary	1,100	1,100

John Bather had a non-beneficial interest in the share capital of the Company at 31 March 2003 of 25,000 shares (2002: 25,000). John Eccles had a non-beneficial interest in the share capital of the Company at 31 March 2003 of 15,000 shares (2002: 15,000). There have been no changes in the interests set out above between 1 April 2003 and 23 May 2003.

Directors' Remuneration Report

Directors' options

	31 March 2003	Granted in year	Exercised during year	31 March 2002	Option price	Exercisable between
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
	10,000	10,000	–	–	157.5p	01.08.2005-31.07.2009
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
	8,000	8,000	–	–	157.5p	01.08.2005-31.07.2009
Adam Vicary	16,000	–	–	16,000	185p	16.11.2003-15.11.2010
	4,000	–	–	4,000	185p	16.11.2003-15.11.2007
	8,000	8,000	–	–	157.5p	01.08.2005-31.07.2009
	162,250	26,000	(18,750)	155,000		

Option grants are exercisable only upon the achievement of the performance targets explained on page 11.

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.

During the year 26,000 share options were granted to Directors as above. 18,750 were exercised and none lapsed. There have been no changes in the interests set out above between 1 April 2003 and 23 May 2003. The market price of the shares in relation to which the options were exercised was £2.035 at the time of exercise.

Gains made by Directors on the exercise of share options amounted to £8,156 (2002: £nil).

The mid-market price of the shares at 31 March 2003 was 150p and ranged between 221.0p and 140.0p during the year.

On behalf of the Board.

Nick Kuenssberg

(Chairman, Remuneration Committee)

27 May 2003

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 and the related notes. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited 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 regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 9 and 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 the unaudited part of the Directors' Remuneration Report, 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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 2003 and of the profit of the Group for the year then ended; and
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Heathcote & Coleman

Chartered Accountants and Registered Auditor
Birmingham

27 May 2003

Consolidated Profit and Loss Account

for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
Turnover	2	27,027	30,548
Cost of sales		(21,978)	(24,017)
Gross profit		5,049	6,531
Other operating expenses	3	(3,676)	(3,986)
Operating profit		1,373	2,545
Exceptional item - restructuring costs	5	(451)	–
Profit before interest and taxation		922	2,545
Interest payable	6	(14)	(19)
Profit on ordinary activities before taxation	7	908	2,526
Taxation	8	(250)	(778)
Profit on ordinary activities after taxation		658	1,748
Dividends	9	(871)	(866)
Transfer to reserves	20	(213)	882
Earnings per share: basic	11	9.0p	24.0p
adjusted	11	13.3p	24.0p
diluted	11	9.0p	24.0p
Dividend per share		11.85p	11.85p
Dividend cover		0.8	2.0

All items dealt with in arriving at the trading profit for both 2003 and 2002 relate to continuing activities.

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2003

	2003 £000	2002 £000
Profit after taxation	658	1,748
Prior Year Adjustment-adoption of FRS 19 "Deferred Taxation"	–	(752)
Total recognised gain	658	996

Consolidated Balance Sheet

at 31 March 2003

	Notes	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		9,045		8,892
Intangible assets	13		215		229
			9,260		9,121
Current assets					
Stocks	14	3,282		3,362	
Debtors	15	5,623		6,634	
Cash at bank and in hand		692		626	
		9,597		10,622	
Creditors: amounts falling due within one year	16	(4,449)		(5,124)	
Net current assets			5,148		5,498
Total assets less current liabilities			14,408		14,619
Provisions	18		(762)		(790)
Net assets			13,646		13,829
Capital and reserves					
Called up share capital	19		1,835		1,830
Share premium account	20		718		693
Capital redemption reserve	20		109		109
Revaluation reserve	20		591		599
Profit and loss account	20		10,393		10,598
Equity shareholders' funds			13,646		13,829

John Eccles }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 27 May 2003

Parent Company Balance Sheet

at 31 March 2003

	Notes	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		5,506		6,034
Investments	22		7,159		7,159
			12,665		13,193
Current assets					
Stocks	14	1,090		981	
Debtors	15	3,980		4,526	
Cash at bank and in hand		357		1	
		5,427		5,508	
Creditors: amounts falling due within one year	16	(3,627)		(5,818)	
Net current assets			1,800		(310)
Total assets less current liabilities			14,465		12,883
Creditors: amounts falling due after more than one year	17		(120)		(120)
Provisions	18		(647)		(678)
Net assets			13,698		12,085
Capital and reserves					
Called up share capital	19		1,835		1,830
Share premium account	20		718		693
Capital redemption reserve	20		109		109
Revaluation reserve	20		591		599
Profit and loss account	20		10,445		8,854
Equity shareholders' funds			13,698		12,085

John Eccles }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 27 May 2003

Consolidated Cash Flow Statement

for the year ended 31 March 2003

	Notes	2003		2002	
		£000	£000	£000	£000
Net cash inflow from operating activities			3,218		3,586
Return on investments and servicing of finance					
Interest paid		(24)		(23)	
Interest received		10		4	
Net cash outflow from returns on investments and servicing of finance			(14)		(19)
Taxation					
UK tax paid			(679)		(778)
Capital expenditure and financial investment					
Purchase of fixed assets		(1,710)		(1,366)	
Sale of fixed assets		91		293	
Net cash outflow from capital expenditure and financial investment			(1,619)		(1,073)
Equity dividends paid			(870)		(844)
Net cash flow before financing			36		872
Financing					
Repayment of loan notes		–		(504)	
Issue of shares (including premium)		30		80	
Net cash inflow/(outflow) from financing			30		(424)
Increase in cash and bank balances	26		66		448
Reconciliation of operating profit to net cashflow from operating activities					
Operating profit			1,373		2,545
Exceptional item – restructuring costs			(451)		–
Depreciation			1,556		1,541
Profit on disposal			(76)		(95)
Government grants credited			(5)		(10)
Decrease/(increase) in stocks			80		(40)
Decrease in debtors			1,011		288
(Decrease) in creditors			(270)		(643)
			3,218		3,586

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. The consolidated accounts incorporate the accounts of Chamberlin & Hill plc and subsidiary undertakings made up to 31 March 2003. 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.

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>Foundries</i>		<i>Light Engineering</i>		<i>Total</i>	
	2003	2002	2003	2002	2003	2002
	£000	£000	£000	£000	£000	£000
Turnover						
Total sales	18,167	20,181	9,003	10,654	27,170	30,835
Inter-segment sales	(143)	(287)	–	–	(143)	(287)
Sales to third parties	18,024	19,894	9,003	10,654	27,027	30,548
Profit						
Trading profit	1,094	2,037	744	967	1,838	3,004
Common costs					(465)	(459)
					1,373	2,545
Exceptional item – restructuring costs					(451)	–
Net interest payable					(14)	(19)
Group profit before taxation					908	2,526
Net assets						
Segmental net assets	10,188	9,975	3,983	4,830	14,171	14,805
Unallocated assets and borrowings					(525)	(976)
Total net assets					13,646	13,829

(ii) By geographical destination

	2003	2002
	£000	£000
Turnover		
United Kingdom	22,406	26,055
Europe	3,421	3,398
Other countries	1,200	1,095
	27,027	30,548

3 OTHER OPERATING EXPENSES

	2003	2002
	£000	£000
Distribution costs	704	733
Administration and selling expenses	2,972	3,253
	3,676	3,986

Notes to the Accounts

4 STAFF NUMBERS AND COSTS

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

	2003	2002
Management and administration	76	85
Production	392	418
Total employees	<u>468</u>	<u>503</u>

The aggregate employment costs of these employees excluding redundancy costs of £316,000 (2002: £106,000) were as follows:-

	2003 £000	2002 £000
Wages and salaries	8,652	9,680
Social security costs	750	843
Other pension costs	440	485
	<u>9,842</u>	<u>11,008</u>

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

5 EXCEPTIONAL ITEM - RESTRUCTURING COSTS

The exceptional item related to £278,000 in respect of redundancy costs in the foundries, and £173,000 in respect of restructuring and re-organisation costs in the light engineering businesses. Taxation effect arising on the exceptional item amounts to a credit of £135,000.

6 INTEREST PAYABLE

	2003 £000	2002 £000
Bank interest receivable	10	4
Loan note interest payable	-	(1)
Bank overdraft interest payable	(24)	(22)
	<u>(14)</u>	<u>(19)</u>

Notes to the Accounts

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £000	2002 £000
This is stated after charging:		
Profit on disposal of fixed assets	(76)	(95)
Depreciation of owned assets	1,542	1,527
Amortisation of Goodwill	14	14
Auditors' remuneration (Company £12,000 (2002: £12,000))	30	32
Rentals under operating leases:		
Hire of plant and equipment	33	33
Other	139	163

In addition to the above, the auditors received £23,000 (2002: £22,000) in the year for other services.

8 TAXATION

	2003 £000	2002 £000
<i>Current tax:</i>		
U.K. Corporation tax at 30% (2002: 30%) based on taxable profit for the year	311	830
Prior year adjustment	(33)	(12)
	<u>278</u>	<u>818</u>
<i>Deferred taxation:</i>		
Movement in the year	(28)	(40)
	<u>250</u>	<u>778</u>
Reconciliation of current tax charge		
Profit on ordinary activities before tax	<u>908</u>	<u>2,526</u>
Corporation tax at standard rate of 30% (2002: 30%) on profit before tax	273	758
<i>Adjusted by the effects of:-</i>		
Expenses not deductible for tax purposes	10	25
Depreciation in excess of capital allowances	28	40
Other movements	(33)	(5)
	<u>278</u>	<u>818</u>

9 DIVIDENDS

	2003 £000	2002 £000
Paid:		
Interim dividend of 3.85p per share (2002: 3.85p)	284	280
Proposed:		
Final dividend of 8.00p per share (2002: 8.00p)	587	586
	<u>871</u>	<u>866</u>

Notes to the Accounts

10 TRANSFER TO RESERVES

The profit dealt with in the accounts of the parent company was £1,583,000 (2002: £362,000).

This is after the receipt of a dividend of £2,500,000 (2002: £nil) from a subsidiary company.

11 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. In calculating the diluted earnings per share, adjustment has been made for the dilutive effect of outstanding share options. Earnings per share, excluding exceptional items of £316,000 (2002: £nil) net of tax has also been disclosed as the Directors believe this allows an assessment of the underlying trading performance of the Group.

	2003 £000	2002 £000
Earnings for pre exceptional earnings per share	974	1,748
Exceptional item	(451)	–
Taxation effect of exceptional item	135	–
Earnings for basic and diluted earnings per share	658	1,748
	2003 000	2002 000
Weighted average number of ordinary shares	7,336	7,274
Adjustment to reflect shares under options	13	10
Weighted average number of ordinary shares - fully diluted	7,349	7,284

12 TANGIBLE FIXED ASSETS

Group	Total £000	Land and buildings £000	Plant and machinery £000	Motor vehicles £000
<i>Cost or valuation</i>				
At 1 April 2002	25,641	4,104	20,841	696
Additions	1,710	382	1,295	33
Disposals	(187)	–	(93)	(94)
At 31 March 2003	27,164	4,486	22,043	635
At cost	25,822	3,144	22,043	635
At valuation 1980	1,342	1,342	–	–
	27,164	4,486	22,043	635
<i>Depreciation</i>				
At 1 April 2002	16,749	1,007	15,390	352
Charge for year	1,542	97	1,330	115
Disposals	(172)	–	(93)	(79)
At 31 March 2003	18,119	1,104	16,627	388
<i>Net book value</i>				
At 31 March 2003	9,045	3,382	5,416	247
At 31 March 2002	8,892	3,097	5,451	344

Notes to the Accounts

12 TANGIBLE FIXED ASSETS (continued)

Net book value of land and buildings comprises:-	2003	2002
	£000	£000
Freehold	3,304	3,006
Short leasehold	78	91
	3,382	3,097

Company	<i>Total</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost or valuation</i>				
At 1 April 2002	17,051	2,512	14,175	364
Additions	415	–	415	–
Disposals	(134)	–	(93)	(41)
Disposals to subsidiary undertakings	(5)	–	–	(5)
At 31 March 2003	17,327	2,512	14,497	318
At cost	15,985	1,170	14,497	318
At valuation 1980	1,342	1,342	–	–
	17,327	2,512	14,497	318
<i>Depreciation</i>				
At 1 April 2002	11,017	705	10,122	190
Charge for year	930	45	828	57
Disposals	(126)	–	(93)	(33)
At 31 March 2003	11,821	750	10,857	214
<i>Net book value</i>				
At 31 March 2003	5,506	1,762	3,640	104
At 31 March 2002	6,034	1,807	4,053	174

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
Freehold land included above not subject to depreciation amounted to:	708	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>	
	2003	2002	2003	2002
	£000	£000	£000	£000
Cost	3,789	3,407	1,775	1,775
Depreciation	(1,011)	(949)	(684)	(648)
Net book value	2,778	2,458	1,091	1,127

Notes to the Accounts

13 INTANGIBLE FIXED ASSETS - GOODWILL

	Total £000
<i>Cost</i>	
At 1 April 2002 and 31 March 2003	271
<i>Amortisation</i>	
At 1 April 2002	42
Charge for year	14
At 31 March 2003	56
<i>Net Book Value</i>	
At 31 March 2003	215
At 31 March 2002	229

14 STOCKS

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Raw materials	1,077	1,216	146	145
Work in progress	594	685	267	295
Finished goods	1,611	1,461	677	541
	3,282	3,362	1,090	981

15 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Due within one year				
Trade debtors	5,475	6,363	2,550	3,092
Other debtors	2	68	–	2
Prepayments	146	203	55	82
Amounts due from subsidiary undertakings	–	–	1,375	1,350
	5,623	6,634	3,980	4,526

Notes to the Accounts

16 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year				
Bank overdraft (repayable on demand)	–	–	–	275
Trade creditors	2,679	2,872	1,176	1,314
Corporation tax	107	508	16	189
Other taxation and social security	448	562	188	267
Other creditors	132	141	104	112
Accruals	496	455	254	233
Proposed dividend	587	586	587	586
Amounts owed to subsidiary undertakings	–	–	1,302	2,842
	4,449	5,124	3,627	5,818

17 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £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.

18 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Movement in deferred taxation during the year				
Balance brought forward	790	830	678	710
(Credit) for the year	(28)	(40)	(31)	(32)
	762	790	647	678

Notes to the Accounts

18 PROVISION FOR LIABILITIES AND CHARGES (continued)

	2003		2002	
	Amount not provided £000	Amount provided £000	Amount not provided £000	Amount provided £000
Group				
Capital allowances	-	762	-	790
Capital gains	475	-	475	-
	475	762	475	790
Company				
Capital allowances	-	647	-	678
Capital gains	392	-	392	-
	392	647	392	678

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.

19 SHARE CAPITAL

	2003 £000	2002 £000
<i>Authorised</i>		
9,000,000 (2002: 9,000,000) Ordinary shares of 25p	2,250	2,250
<i>Allotted, called up and fully paid</i>		
7,340,908 (2002: 7,322,158) Ordinary shares of 25p	1,835	1,830

During the year the company issued 18,750 shares of 25p each at 160p following the exercise of options under the executive share option schemes. During the previous year 50,000 shares were issued. During the year 28,500 share options lapsed and options for 44,000 shares were granted.

Options outstanding at 31 March 2003 were:

<i>No. of shares</i>	<i>Price payable</i>	<i>Exercisable between</i>
37,500	160p	10.09.2000-09.09.2007
48,750	160p	10.09.2000-09.09.2004
46,000	185p	16.11.2003-15.11.2010
74,000	185p	16.11.2003-15.11.2007
26,000	157.5p	01.08.2005-30.07.2009
18,000	157.5p	01.08.2005-31.07.2012

Notes to the Accounts

20 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 2002	109	693	599	10,598
Arising on issue of shares	–	25	–	–
Retained loss for the year	–	–	–	(213)
Transfer between reserves	–	–	(8)	8
At 31 March 2003	109	718	591	10,393
Company				
At 1 April 2002	109	693	599	8,854
Arising on issue of shares	–	25	–	–
Retained profit for the year	–	–	–	1,583
Transfer between reserves	–	–	(8)	8
At 31 March 2003	109	718	591	10,445

The cumulative amount of goodwill written off against reserves is £3,663,000 (2002: £3,663,000)

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £000	2002 £000
Profit for the year	658	1,748
Dividends	(871)	(866)
Issue of share capital	30	80
Net movement in the year	(183)	962
Shareholders' funds at 31 March 2002	13,829	12,867
Shareholders' funds at 31 March 2003	13,646	13,829

22 FIXED ASSET INVESTMENTS

	2003 £000	2002 £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

23 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 2003 was £440,000 (2002: £485,000). The defined benefit scheme was effectively closed to new members from 1 April 2001.

The staff 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.

The other schemes are defined contribution schemes and the pension cost represents contributions payable.

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 and 31 March 2003 by the qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	At 31 March 2003	At 31 March 2002
Rate of increase in salaries	2.6%	2.8%
Rate of increase of pensions in payment- post 1997 accrual only	2.6%	2.8%
Discount rate	5.4%	6.0%
Inflation assumption	2.6%	2.8%

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

	As at 31 March 2003		As at 31 March 2002	
	Rate of return %	Asset Value £000	Rate of Return %	Asset Value £000
Equities	7.00	4,977	7.50	6,631
Gilts	4.00	1,093	4.75	3,046
Bonds	4.90	1,672	5.50	-
Cash	3.50	198	3.50	116
Total market value of assets		7,940		9,793
Actuarial value of liability		(12,180)		(10,893)
Recoverable deficit in scheme		(4,240)		(1,100)
Related deferred tax asset		1,272		330
Net pension liability		(2,968)		(770)

Notes to the Accounts

23 PENSION ARRANGEMENTS (continued)

The effect this would have on the net assets of the group at 31 March 2003 is as follows:

	At 31 March 2003	At 31 March 2002
Net assets excluding pension liability	13,646	13,829
Net pension liability	(2,968)	(770)
Net assets including pension liability	<u>10,678</u>	<u>13,059</u>
Profit and loss account excluding pension reserve	10,393	10,598
Pension reserve	(2,968)	(770)
Profit and loss account including pension reserve	<u>7,425</u>	<u>9,828</u>

Analysis of the amount chargeable to operating profit

	Year to 31 March 2003 £000
Service cost	354
Past service cost	5
Total operating charge	<u>359</u>

Analysis of net return on pension scheme

	Year to 31 March 2003 £000
Expected return on pension scheme assets	640
Interest on pension liabilities	(647)
Net return	<u>(7)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2003 £000
Actual return less expected return on assets	(2,307)
Experience gains and losses on liabilities	-
Changes in assumptions	(767)
Actuarial loss recognised in STRGL	<u>(3,074)</u>

Notes to the Accounts

23 PENSION ARRANGEMENTS (continued)

Movement in deficit during the year

	Year to 31 March 2003 £000
Deficit in scheme at beginning of year	(1,100)
<i>Movement in year:</i>	
Current service cost	(354)
Contributions	300
Past service costs	(5)
Net return on assets	(7)
Actuarial loss	(3,074)
Deficit in scheme at end of year	<u>(4,240)</u>

History of experience gains and losses

	Year to 31 March 2003
Difference between expected and actual return on scheme assets	
amount (£000s)	(2,307)
percentage of scheme assets	(29.1%)
Experience gains and losses on scheme liabilities	
amounts (£000s)	-
percentage of scheme liabilities	-
Total amount recognised in statement of total recognised gains and losses:	
amount (£000s)	(3,074)
percentage of scheme liabilities	(25.2%)

24 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 2003 amounted to £nil (2002: £nil).

Notes to the Accounts

25 FINANCIAL COMMITMENTS

	<i>Group</i>		<i>Company</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Capital expenditure				
Contracted for but not provided in the accounts	56	1,292	17	265

Lease commitments

The Group had annual commitments under operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2003 £000	2002 £000	2003 £000	2002 £000
Leases terminating:				
within one year	–	–	–	–
between two and five years	43	43	6	5
after more than five years	96	96	–	–

26 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	2003 £000	2002 £000
Increase in cash in the year	66	448
Cash outflow from debt and lease financing	–	504
Change in net funds arising from cashflows	66	952
Net funds at 31 March 2002	626	(326)
Net funds at 31 March 2003	692	626

27 CURRENCY ANALYSIS

The Group's functional currency is sterling. At the year end it had net monetary assets/(liabilities) denominated in Euros of £434,000 (2002: £(18,000)). During the year the Group has used forward contracts to reduce its exposure to currency exchange risk.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Friday 25 July 2003 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 2003 (Resolution 1)
2. To declare a Final Dividend on the Ordinary Shares. (Resolution 2)
3. To re-elect as a Director Barrie Williams 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 Nick Kuenssberg who is retiring by rotation pursuant to article 107 of the Company's Articles of Association. (Resolution 4)
5. To approve the Directors' Remuneration Report for the year ended 31 March 2003 (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
23 June 2003

Chuckery Foundry
Walsall
WS1 2DU

General Information

Warrants for the final dividend, if approved at the Meeting, will be posted on 25 July 2003 to shareholders registered at the close of business on 4 July 2003.

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

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Turnover	27,027	30,548	32,521	31,531	30,061
Operating profit	1,373	2,545	2,965	3,308	3,026
Exceptional item	(451)	–	(340)	–	–
Interest (payable)/receivable	(14)	(19)	(32)	(7)	28
Profit before taxation	908	2,526	2,593	3,301	3,054
Taxation	(250)	(778)	(783)	(932)	(1,002)
Profit after taxation	658	1,748	1,810	2,369	2,052
Dividends	(871)	(866)	(836)	(800)	(788)
Transfer to reserves	(213)	882	974	1,569	1,264
Operating profit as a percentage of turnover	5.1	8.3	9.1	10.5	10.1
Basic earnings per share (pence)	9.0	24.0	24.9	30.9	26.7
Adjusted earnings per share (pence) (excluding exceptional items)	13.3	24.0	28.2	30.9	26.7
Dividend per share (pence)	11.85	11.85	11.50	11.00	10.20
	£000	£000	£000	£000	£000
Funds employed	13,646	13,829	12,867	11,893	11,136
Percentage of operating profits to funds employed	10.1	18.4	23.0	27.8	27.2

Manufacturing Units



Foundries



- Walsall Foundry**
- Bloxwich Foundry**
- Ductile Castings Ltd**



Preferred supplier of castings in:

- Grey Iron
- Malleable Iron
- Ductile Iron
- Austempered Ductile Iron
- Ni Hard
- Ni Resist
- Stainless Steel
- Carbon Steel
- Alloy Steel
- Alloyed Irons



Principal activities and markets

WALSALL FOUNDRY

Chuckery Road
Walsall, WS1 2DU
Tel: 01922 721411 Fax: 01922 638370

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

BLOXWICH FOUNDRY

Reeves Street,
Bloxwich, WS3 2DW
Tel: 01922 49200 Fax: 01922 710791

Small castings in malleable and SG iron, mainly associated with the automotive, construction and transport industries.

DUCTILE CASTINGS LTD

Trent Foundry, Dawes Lane
Scunthorpe DN15 6UW
Tel: 01724 862152 Fax: 01724 280461

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

PFP ELECTRICAL PRODUCTS LTD

Fortnum Close, Mackadown Lane
Kitts Green, Birmingham B33 0LB
Tel: 0121 783 7161 Fax: 0121 783 5717

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



FRED DUNCOMBE LTD

Progress Drive
Cannock, WS11 0JE
Tel: 01543 578661 Fax: 01543 570050

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





Chamberlin & Hill plc

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