

## **CHAMBERLIN & HILL PLC**

### **INTERIM RESULTS – 6 MONTHS ENDED 30 SEPTEMBER 2004**

#### **CHAIRMAN'S STATEMENT**

In the six months ended 30 September 2004 the group achieved a turnover of £20.2m (2003: £13.2m) a growth of 53%. Operating profit was up 63% at £958k (2003: £587k), while profit before tax, after exceptional items of £201k and the add-back of negative goodwill arising from the Russell acquisition of £270k, was £1,007k (2003: £592k). Fully diluted earnings per share rose 66% to 9.3p (2003: 5.6p).

The board has decided to pay an unchanged interim dividend of 3.85p per share, payable on 20 December 2004 to all shareholders registered on 3 December 2004.

While the volume of demand in the first half year has been generally strong across the group, in common with other manufacturing companies we have had to deal with very substantial increases in the costs of our raw materials and energy. This has been particularly acute for steel strip, ferrous scrap, new production steel and pig iron, where significant price rises have been occurring monthly. Despite our best efforts to recover these costs by way of increased prices to our customers there has been an inevitable time lag. This has had an effect on the net margin, partially offsetting improvements from the higher levels of activity.

At the time of writing our annual report we commented that we expected the acquisition of Russell Castings to support our return to growth in the year ahead; at the AGM we advised shareholders that Russell was operating at the upper end of our expectations. While it has naturally not been immune to the cost rise issues described above, indications to date continue to confirm that this has been a very sound investment. We continue to develop the synergy opportunities with our other foundries, and now believe that the non-recurring restructuring costs previously anticipated will not arise in the current year.

Peter Bell, finance director and company secretary, retires from the board today. We wish Peter well for the future and thank him for his 35 years of hard work and dedication. Simon Duckworth is appointed to replace him with immediate effect. He was previously finance director of Compass Software Group plc, prior to which he held a number of directorships within UK engineering groups.

Looking forward, we will continue to explore opportunities for our foundries, to pursue product development for our Exidor emergency exit hardware, and to extend our range of hazardous area lighting products. Overall activity is expected to continue at broadly similar levels for the remainder of the year, but the pressure due to cost rises shows no current signs of slackening and remains unpredictable.

**Tom Brown**  
**Chairman**

**9 November 2004**

## Consolidated Profit And Loss Account

	Unaudited 6 months Ended 30 September 2004			Unaudited 6 months Ended 30 September 2003	Year Ended 31 March 2004	
	Before release of negative goodwill and exceptional items £000	Negative goodwill released (see note 5) £000	Exceptional items (see note 6) £000	Total £000	Total £000	Total £000
<b>Group turnover</b>						
- continuing	14,980	-	-	14,980	13,234	27,311
- acquisition	5,233	-	-	5,233	-	-
<b>Total</b>	<b>20,213</b>	<b>-</b>	<b>-</b>	<b>20,213</b>	<b>13,234</b>	<b>27,311</b>
<b>Operating profit</b>						
- continuing	700	-	(201)	499	587	1,007
- acquisition	258	270	-	528	-	-
<b>Profit before interest</b>	<b>958</b>	<b>270</b>	<b>(201)</b>	<b>1,027</b>	<b>587</b>	<b>1,007</b>
Net interest (payable)	(20)	-	-	(20)	5	6
<b>Profit before taxation</b>	<b>938</b>	<b>270</b>	<b>(201)</b>	<b>1,007</b>	<b>592</b>	<b>1,013</b>
Taxation	(301)	(81)	60	(322)	(178)	(306)
<b>Profit after taxation</b>	<b>637</b>	<b>189</b>	<b>(141)</b>	<b>685</b>	<b>414</b>	<b>707</b>
Dividend				(283)	(283)	(871)
<b>Retained profit/(loss)</b>				<b>402</b>	<b>131</b>	<b>(164)</b>
<b>Earnings per ordinary share:</b>						
- basic				9.3p	5.6p	9.6p
- before negative goodwill and exceptional items				8.7p	5.6p	9.6p
- fully diluted				9.3p	5.6p	9.6p
<b>Dividend per share</b>				<b>3.85p</b>	<b>3.85p</b>	<b>11.85p</b>

## Summarised Consolidated Balance Sheet

	As at 30 September 2004 £000	As at 30 September 2003 £000	As at 31 March 2004 £000
<b>Fixed assets</b>			
Tangible assets	9,369	8,559	8,770
Intangible assets:			
- goodwill	195	209	201
- negative goodwill	(149)	-	-
	<hr/> 9,415	8,768	8,971
<b>Current assets</b>			
Stock	4,488	3,351	3,496
Debtors	9,462	6,329	6,656
Cash at bank	-	345	482
	<hr/> 13,950	10,025	10,634
<b>Creditors – under one year</b>			
Bank overdraft	(1,025)	-	-
Other	(7,473)	(4,269)	(5,389)
	<hr/> (8,498)	(4,269)	(5,389)
<b>Net current assets</b>	5,452	5,756	5,245
<b>Creditors – over one year</b>	(274)	-	-
<b>Provisions for liabilities and charges</b>	(709)	(747)	(734)
	<hr/> (973)	(747)	(734)
<b>Net assets</b>	<hr/> 13,884	13,777	13,482
<b>Capital and reserves</b>			
Called up share capital	1,835	1,835	1,835
Share premium account	718	718	718
Capital redemption reserve	109	109	109
Revaluation reserve	579	587	583
Profit & loss account	10,643	10,528	10,237
	<hr/> 13,884	13,777	13,482
<b>Equity shareholders' funds</b>	<hr/> 13,884	13,777	13,482

## Consolidated Cash Flow Statement

	<b>6 months ended 30 September 2004 £000</b>	6 months ended 30 September 2003 £000	Year ended 31 March 2004 £000
<b>Net cash inflow from operating activities</b>			
Operating profit before release of negative goodwill and exceptional items	958	587	1,007
Exceptional items	(201)	-	-
Non cash items:			
- depreciation	860	738	1,377
- goodwill amortisation	6	6	14
- other	-	-	(7)
Changes in working capital	(980)	(749)	(390)
	<b>643</b>	582	2,001
<b>Returns on investment and servicing of finance</b>			
Interest received	-	9	14
Interest paid	(20)	(4)	(8)
	<b>(20)</b>	5	6
<b>Corporation tax paid</b>	<b>(194)</b>	(95)	(247)
<b>Investing activities</b>			
Purchase of tangible fixed assets	(720)	(291)	(1,147)
Proceeds from sale of tangible fixed assets	16	39	49
	<b>(704)</b>	(252)	(1,098)
<b>Acquisition</b>			
Purchase of assets of Russell Castings	(646)	-	-
<b>Equity dividends paid</b>	<b>(587)</b>	(587)	(871)
<b>Decrease in cash</b>	<b>(1,508)</b>	(347)	(209)
<b>Reconciliation of net cash flow to movement in net (debt)/funds</b>			
Decrease in cash in the period	(1,508)	(347)	(209)
Opening net funds	483	692	692
<b>Closing net (debt)/funds</b>	<b>(1,025)</b>	345	483

## Notes

### 1. Preparation of interim accounts

This interim statement has been prepared on the basis of the accounting policies set out in the 2004 Annual Report and Accounts.

The results for the year to 31 March 2004 are an abridged version of the full accounts which have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The figures for the six months ended 30 September 2003 and 30 September 2004 have not been audited.

### 2. Dividend

The interim dividend of 3.85p per share will be paid on 20 December 2004 to all shareholders registered at the close of business on 3 December 2004.

### 3. Earnings per share

The calculation of basic earnings per share is based on the profit after tax of £685,000 (2003: £414,000) and the weighted average of ordinary shares in issue and ranking for dividend of 7,340,908 (2003: 7,340,908).

Earnings per share before negative goodwill and exceptional items is based on the profit before goodwill and exceptional items of £637,000 (2003: £414,000) and ordinary shares of 7,340,908 (2003: 7,340,908).

Diluted earnings per share is based on the profit after tax of £685,000 (2003: £414,000) and 7,345,330 shares (2003: 7,340,908) after adjusting for the dilutive effect of the potential exercise of share options where the prices at which they are exercisable are below the weighted average share price during the year.

### 4. Reconciliation of movement in shareholders' funds

	<b>30 September 2004 £000</b>	30 September 2003 £000	31 March 2004 £000
Profit after tax	<b>685</b>	414	707
Dividends	<b>(283)</b>	(283)	(871)
	<b>402</b>	131	(164)
Opening shareholders' funds	<b>13,482</b>	13,646	13,646
Closing shareholders' funds	<b>13,884</b>	13,777	13,482

## 5. Acquisition of Russell Castings

The Group acquired certain assets of Russell Castings on 2 April 2004 as follows:-

	<b>Historical value</b>	<b>Fair value adjustment</b>	<b>Fair value of assets acquired</b>
	£000	£000	£000
Tangible fixed assets	1,275	(520)	755
Stocks	1,075	(190)	885
Debtors	1,718	-	1,718
Creditors	(1,822)	-	(1,822)
	<u>2,246</u>	<u>(710)</u>	1,536
Negative goodwill			<u>(419)</u>
			<u>1,117</u>
Satisfied by:			
- cash (including expenses)			646
- deferred consideration (paid 1 October 2004)			<u>471</u>
			<u>1,117</u>

The fair values, which may be revised in accordance with FRS7 as further information becomes available, represent the Directors' current estimate of the net assets acquired.

Negative goodwill of £270,000 has been released to the profit and loss account during the period.

## 6. Exceptional items

Exceptional items comprise:-

	£000
(a) Retiring Director's severance costs	92
(b) Restructuring costs within the Group's foundry operations	<u>109</u>
	<u>201</u>

A copy of the interim results will be sent to shareholders and further copies will be available from the Company's registered office: Chuckery Foundry, Walsall WS1 2DU.

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