

**Chamberlin plc**

**2007**

Interim Report **2007**

# Welcome to Chamberlin

Chamberlin plc is a respected engineering group which provides specialised castings and safety / security products to a wide variety of industries.



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# Highlights

- Profit before tax and exceptionals up **24%** to £651k
- Underlying earnings per share up **24%** to 6.1p
- Net borrowing **£0.5m**, a gearing of **4.3%**
- Total Equity strengthened by **£1.3m** to **£12.2m**
- Dividend maintained at **3.85p**

	Unaudited 6 months 30 September 2007 £000	Unaudited 6 months 30 September 2006 £000
Turnover	19,607	19,028
Profit before tax and exceptional items	651	523
Profit before tax	982	102
Basic EPS	9.8p	0.9p
Underlying EPS	6.1p	4.9p
Dividend per share proposed	3.85p	3.85p

## Difficult things done well

# Chairman's Statement

**“We remain active in the search for businesses that fit our “Difficult things done well” strategy.”**

I am pleased to report that the Group made good progress in the first half, with results in line with management expectations.

The action taken last year to upgrade controls has provided a sound platform on which to build, and with a new management culture established the team are delivering improvements throughout the business. Following the AGM our name has been changed to Chamberlin plc.

## **Results & Dividend**

Revenues grew to £19.6m (2006/07: £19.0m). Foundries achieved sales growth of 6%, with the engineering companies achieving 1% growth net of the impact of prior year disposals from within Petrel. Profit before tax and exceptional items rose 24% to £651k (2006/07: £523k) with a corresponding increase in underlying earnings per share to 6.1p (2006/07: 4.9p). Exceptional items include the profit of £468k from the sale of surplus property as previously reported. Gearing remains very low at 4.3%.

The Board has decided to pay an unchanged interim dividend of 3.85p per share, payable on 17 December 2007 to all shareholders registered on 7 December 2007.

## **Progress**

Our foundries have continued to enjoy sustained demand for their products and their performance improvement projects are making good progress.

The Walsall foundry now trades as Chamberlin & Hill Castings, retaining our strong foundry brand which is well known in the engineering industry. Its expertise in the high-volume supply of complex castings has enabled Chamberlin & Hill to win new contracts in the hydraulics market, and in the longer term hydraulics represents a potential area for expansion. Demand for turbochargers for automotive diesel engines remains strong and this drives our core market. CO<sub>2</sub> emissions legislation is likely to create new opportunities as fuel efficiency

requirements expand turbocharged petrol engines from performance cars into the mainstream market. The claim against Walsall foundry for alleged nuisance, noted in previous reports, continues as does our vigorous defence of all aspects of the claim. In our 2006/07 report we stated that Chamberlin & Hill Castings has begun implementing lean manufacturing and I am pleased to note the excellent progress made in this area.

Russell Ductile is recovering after the difficulties reported last year, with upgraded management delivering improved operational performance. During the first half we invested £400k in the Scunthorpe site to upgrade equipment and have agreed an extended lease for the Leicester site that will permit continuation of our successful operation there for many years to come. Both operating sites are winning new contracts and we look forward to further progress at Russell Ductile as the recovery phase continues.

Petrel and Fred Duncombe, our light engineering businesses, continue to progress. Petrel has completed work to fill gaps in its range of hazardous area lighting and control products, and is starting to win new business. Range extensions are being launched at Fred Duncombe and new sales strategies are being developed to compete more aggressively.

#### **Pensions**

We have commenced consultation with employees in connection with closing the final salary pension scheme to future accrual from December 2007. At the half year the pension deficit stood at £0.5m.

#### **Strategy**

We stated in our 2006/07 report that we intend to create a more broadly based engineering group. The executive team have reviewed and rejected a number of acquisition targets that do not meet our criteria, and remain active in the search for

businesses that fit with the “difficult things, done well” theme which underpins our strategic thinking. Our foundries will continue to play an important role in the Group, and we will continue to invest to improve our capability whenever good opportunities are available.

#### **Outlook**

The current year is progressing in line with management expectations following the transition achieved in 2006/07. Our businesses are enjoying steady demand and competing effectively in both home and export markets. We look forward to the future with confidence.

**Tom Brown**  
Chairman

# Summarised Consolidated Income Statement

for the six months ended 30 September 2007

Note	Unaudited six months ended 30 September 2007			Unaudited six months ended 30 September 2006			Year ended 31 March 2007		
	Before operating exceptionals £000	Operating exceptionals (note 9) £000	Total £000	Before operating exceptionals £000	Operating exceptionals (note 9) £000	Total £000	Before operating exceptionals £000	Operating exceptionals (note 9) £000	Total £000
	<b>19,607</b>	-	<b>19,607</b>	19,028	-	19,028	39,188	-	39,188
	<b>619</b>	<b>331</b>	<b>950</b>	521	(421)	100	332	(1,141)	(809)
3	<b>32</b>	-	<b>32</b>	2	-	2	(22)	-	(22)
	<b>651</b>	<b>331</b>	<b>982</b>	523	(421)	102	310	(1,141)	(831)
4	<b>(199)</b>	<b>(56)</b>	<b>(255)</b>	(159)	126	(33)	292	216	508
	<b>452</b>	<b>275</b>	<b>727</b>	364	(295)	69	602	(925)	(323)
			<b>727</b>			69			(323)
			<b>9.8p</b>			0.9p			(4.4)p
6	<b>6.1p</b>			4.9p			8.1p		
6			<b>9.6p</b>			0.9p			(4.4)p
6	<b>6.0p</b>			4.9p			8.0p		

An interim dividend of 3.85p per share has been declared by the directors, payable on 17 December 2007 (note 5).

## Summarised Consolidated Statement of Recognised Income and Expense

for the six months ended 30 September 2007

Note	Unaudited six months ended 30 September 2007 £000	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
7	<b>1,524</b>	(929)	(2,132)
	<b>(457)</b>	279	640
	<b>1,067</b>	(650)	(1,492)
	<b>727</b>	69	(323)
	<b>1,794</b>	(581)	(1,815)

# Summarised Consolidated Balance Sheet

at 30 September 2007

	Unaudited 30 September 2007 £000	Unaudited 30 September 2006 £000	31 March 2007 £000
<b>Non-current assets</b>			
Property, plant and equipment	7,991	8,518	7,954
Intangible assets – goodwill	201	201	201
Intangible assets – software	46	61	57
Intangible assets – development costs	171	219	195
Deferred tax assets	271	782	975
	<b>8,680</b>	9,781	9,382
<b>Current assets</b>			
Inventories	4,395	5,192	4,746
Trade and other receivables	8,492	8,227	7,370
Income taxes receivable	–	–	70
Cash and cash equivalents	2	–	–
Assets held for resale	–	–	219
	<b>12,889</b>	13,419	12,405
<b>Total assets</b>	<b>21,569</b>	23,200	21,787
<b>Current liabilities</b>			
Financial liabilities	531	1,192	209
Trade and other payables	7,650	7,004	7,738
Income taxes payable	13	55	–
	<b>8,194</b>	8,251	7,947
<b>Non-current liabilities</b>			
Defined benefit pension scheme deficit	498	1,218	2,235
Deferred tax liabilities	658	1,273	663
	<b>1,156</b>	2,491	2,898
<b>Total liabilities</b>	<b>9,350</b>	10,742	10,845
<b>Capital and reserves</b>			
Share capital	1,859	1,854	1,854
Share premium	862	829	828
Capital redemption reserve	109	109	109
Retained earnings	9,389	9,666	8,151
<b>Total equity</b>	<b>12,219</b>	12,458	10,942
<b>Total equity and liabilities</b>	<b>21,569</b>	23,200	21,787

# Summarised Consolidated Cash Flow Statement

for the six months ended 30 September 2007

	<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
<b>Operating activities</b>			
<b>Operating profit/(loss)</b>	<b>950</b>	100	(809)
Adjustments for:			
Depreciation of property, plant and equipment	<b>578</b>	574	1,166
Amortisation of software	<b>12</b>	14	23
Amortisation of development costs	<b>23</b>	10	34
(Profit)/loss on disposal of property plant and equipment	<b>(477)</b>	32	373
Share based payments	<b>40</b>	(11)	(6)
Other pension payments in excess of income statement charge	<b>(213)</b>	(198)	(384)
<b>Operating cash flow before movements in working capital</b>	<b>913</b>	521	397
Decrease in inventories	<b>352</b>	116	562
(Increase)/decrease in receivables	<b>(1,122)</b>	(285)	572
(Decrease)/increase in payables	<b>(88)</b>	(496)	237
<b>Cash flow from operations</b>	<b>55</b>	(144)	1,768
UK Corporation Tax received/(paid)	<b>68</b>	(210)	(237)
<b>Net cash flow from operating activities</b>	<b>123</b>	(354)	1,531

(continued on page 7)

# Summarised Consolidated Cash Flow Statement

continued

	Unaudited six months ended 30 September 2007 £000	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
<b>Net cash flow from operating activities</b>	<b>123</b>	(354)	1,531
<b>Investing activities</b>			
Purchase of property, plant and equipment	(626)	(916)	(1,625)
Purchase of software	(1)	(25)	(27)
Disposal of plant and equipment	709	–	119
<b>Net cash flow from investing activities</b>	<b>82</b>	(941)	(1,533)
<b>Financing activities</b>			
Interest paid	(38)	(48)	(111)
Pension element of finance income	70	50	90
Equity dividends paid	(595)	(592)	(878)
Issue of shares (including premium)	38	100	99
<b>Net cash used in financing activities</b>	<b>(525)</b>	(490)	(800)
<b>Net decrease in cash and cash equivalents</b>	<b>(320)</b>	(1,785)	(802)
<b>Cash and cash equivalents at the start of the period</b>	<b>(209)</b>	593	593
<b>Cash and cash equivalents at the end of the period</b>	<b>(529)</b>	(1,192)	(209)

## 1 GENERAL INFORMATION AND ACCOUNTING POLICIES

The abridged financial information set out above does not constitute the Group's statutory accounts as defined under Section 240 of the Companies Act 1985. The auditors made a report under Section 235 of the Companies Act 1985 on the financial statements for the year ended 31 March 2007, as filed at Companies House, from which part of the financial information is extracted. The report of the auditors on the accounts for the year ended 31 March 2007 was unqualified and there was no statement under either section 237(2) or section 237(3).

### **Basis of preparation**

The accounts have been prepared under International Financial Reporting Standards ("IFRS") in the form of a condensed interim financial report.

### **Accounting policies**

The principal accounting policies, based on IFRS, applied in preparing the Interim Financial Statements are consistent with the policies set out in the Annual Report and Accounts for the year ended 31 March 2007.

## 2 SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating divisions: Foundries and Engineering, which are the primary segments for reporting purposes. The secondary segmental format is geographical.

	Foundries			Engineering			Total		
	Unaudited 6 months ended 30 Sep 2007 £000	Unaudited 6 months ended 30 Sep 2006 £000	Year ended 31 March 2007 £000	Unaudited 6 months ended 30 Sep 2007 £000	Unaudited 6 months ended 30 Sep 2006 £000	Year ended 31 March 2007 £000	Unaudited 6 months ended 30 Sep 2007 £000	Unaudited 6 months ended 30 Sep 2006 £000	Year ended 31 March 2007 £000
<b>Revenue</b>	<b>15,974</b>	15,029	31,287	<b>3,633</b>	3,999	7,901	<b>19,607</b>	19,028	39,188
<b>Trading profit</b>	<b>614</b>	523	681	<b>282</b>	220	157	<b>896</b>	743	838
Shared costs							<b>(277)</b>	(222)	(506)
Exceptionals							<b>331</b>	(421)	(1,141)
Operating profit							<b>950</b>	100	(809)
<b>Net assets</b>									
Assets	<b>15,310</b>	16,391	14,665	<b>5,441</b>	5,745	5,788	<b>20,751</b>	22,136	20,453
Liabilities	<b>(5,179)</b>	(5,687)	(6,405)	<b>(2,202)</b>	(1,317)	(1,332)	<b>(7,381)</b>	(7,004)	(7,737)
Segmental net assets	<b>10,131</b>	10,704	8,260	<b>3,239</b>	4,428	4,456	<b>13,370</b>	15,132	12,716
Unallocated net liabilities							<b>(1,151)</b>	(2,674)	(1,774)
<b>Total net assets</b>							<b>12,219</b>	12,458	10,942
<b>Movements in fixed asset</b>									
<b>Capital additions</b>									
PPE*	<b>569</b>	728	1,345	<b>57</b>	188	280	<b>626</b>	916	1,625
Software	<b>1</b>	25	27	-	-	-	<b>1</b>	25	27
<b>Capital commitments</b>	<b>188</b>	326	97	-	-	-	<b>188</b>	326	97
<b>Depreciation/amortisation</b>									
PPE*	<b>(453)</b>	(432)	(925)	<b>(125)</b>	(142)	(241)	<b>(578)</b>	(574)	(1,166)
Software	<b>(10)</b>	(12)	(17)	<b>(2)</b>	(2)	(6)	<b>(12)</b>	(14)	(23)
Development	<b>(13)</b>	(6)	(19)	<b>(10)</b>	(4)	(15)	<b>(23)</b>	(10)	(34)

\* Property, plant and equipment

# Notes to the Interim Financial Statements

continued

## 2 SEGMENTAL ANALYSIS (continued)

The Foundries segment is a supplier of iron castings, in raw or machined form, to a variety of industrial customers who incorporate the castings into their own products or carry out further machining or assembly operations on the castings before selling them on. The Engineering segment provides manufactured and imported products to distributors and end-users. The products fall into the categories of door hardware, hazardous area lighting and control gear, cable management and general ironmongery.

Transactions between business segments are minimal and transfer prices are set on an arm's length basis in a manner similar to transactions with third parties. The Group's geographical segments are determined by the location of the Group's customers. The Group's assets and costs incurred are all located within the United Kingdom.

	<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
<b>Turnover by geographical location</b>			
United Kingdom	<b>15,605</b>	15,120	30,680
Rest of Europe	<b>3,411</b>	3,210	7,170
Other countries	<b>591</b>	698	1,338
	<b>19,607</b>	19,028	39,188

## 3 FINANCE INCOME AND COSTS

	<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Net interest on bank accounts	<b>(38)</b>	(48)	(112)
Finance income of pension scheme (note 7)	<b>70</b>	50	90
	<b>32</b>	2	(22)

#### 4 INCOME TAX EXPENSE

An effective rate of tax for the six months to 30 September 2007 of 30% has been used for corporation tax and 28% for deferred tax in respect of all calculations in these interim statements.

#### 5 DIVIDENDS

Dividends comprise:

		<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
	Pence per share			
2005/06 final dividend paid July 2006	8.00		593	593
2006/07 interim dividend paid December 2006	3.85			285
<b>2006/07 final dividend paid July 2007</b>	<b>8.00</b>	<b>595</b>		
		<b>595</b>	593	878
<b>2007/08 interim dividend proposed</b>	<b>3.85</b>	<b>286</b>		

The interim dividend of 3.85 pence per share (2006: 3.85p) will be paid on 17 December 2007 to all shareholders on the register as at close of business on 7 December 2007.

#### 6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit/(loss) after tax of £727,000 (Interim 2006: £69,000; Full year 2006/07: £(323,000)) and the weighted average number of shares in issue of 7,426,117 (Interim 2006: 7,388,204; Full year 2006/07: 7,546,139).

The calculation of underlying earnings per share is based on profit before the effects of operating exceptional items, and is disclosed in addition to basic earnings per share as the directors believe that it allows a better comparison between the results of different periods, and therefore a better assessment of the comparative trading performance of the Group. Operating exceptional items comprise profit on sale of a surplus property, legal costs and inventory write down as set out in note 9.

The profit used in calculating underlying earnings per share was £452,000 (Interim 2006: £364,000; Full year 2006/07: £602,000) and the weighted average number of shares as for basic earnings per share above.

Diluted earnings per share and diluted underlying earnings per share use the same profit figures as for basic or underlying earnings per share as appropriate, but use a figure for the number of shares that takes account of the dilutive effect of outstanding share options. The figure used for the number of shares was 7,569,038 (Interim 2006: 7,402,435; Full year 2006/07: 7,546,139).

# Notes to the Interim Financial Statements

continued

## 7 PENSIONS

The Group operates a defined benefit pension scheme and a number of defined contribution pension schemes on behalf of its employees. For defined contribution schemes, contributions paid in the period are charged to the income statement. For the defined benefit scheme, actuarial calculations are performed in accordance with IAS 19 in order to arrive at the amounts to be charged in the income statement and recognised in the statement of recognised income and expenses. The defined benefit scheme is closed to new entrants.

Under IAS 19, the Company recognises all movements in the actuarial funding position of the scheme in each period. This is likely to lead to volatility in shareholders' equity from period to period.

The IAS 19 figures are based on a number of actuarial assumptions as set out below, which the actuaries have confirmed they consider appropriate. The projected unit credit actuarial cost method has been used in the actuarial calculations.

	<b>30 September 2007</b>	30 September 2006	31 March 2007
Discount rate	5.6%	5.0%	5.2%
Salary increases	3.4%	2.9%	2.9%
Pension increases (pre '97)	2.5%	2.5%	2.5%
Pension increases (post '97)	3.0%	2.9%	2.9%
Inflation (RPI)	3.4%	2.9%	2.9%

The demographic assumptions used for 30 September 2007 and 31 March 2007, are generally the same as used in the last full actuarial valuation performed as at 1 April 2007. The assumptions for 30 September 2006 are based on actuarial valuations as at 1 April 2004.

The defined benefit scheme funding has changed under IAS 19 as follows:

	<b>Unaudited 6 months to 30 September 2007 £000</b>	Unaudited 6 months to 30 September 2006 £000	Year to 31 March 2007 £000
<b>Funding status</b>			
<b>Movement in scheme assets</b>			
<b>Fair value at start of period</b>	<b>13,952</b>	13,690	13,690
Expected return on scheme assets	450	398	793
Actuarial losses	(139)	(342)	(38)
Employer contributions	184	194	376
Member contributions	35	45	78
Estimated benefits paid	(350)	(628)	(947)
<b>Fair value at end of period</b>	<b>14,132</b>	13,357	13,952

## 7 PENSIONS (continued)

	Unaudited 6 months to 30 September 2007 £000	Unaudited 6 months to 30 September 2006 £000	Year to 31 March 2007 £000
<b>Funding status</b>			
<b>Movement in scheme liabilities</b>			
<b>Benefit obligations at start of period</b>	<b>16,187</b>	14,177	14,177
Current service cost	41	46	82
Interest cost	380	348	703
Member contributions	35	45	78
Actuarial (gain)/losses	(1,663)	587	2,094
Estimated benefits paid	(350)	(628)	(947)
<b>Benefit obligations at end of period</b>	<b>14,630</b>	14,575	16,187
<b>Recoverable deficit in scheme</b>	<b>(498)</b>	(1,218)	(2,235)
Related deferred tax asset	139	365	670
<b>Net pension liability</b>	<b>(359)</b>	(853)	(1,565)
<b>Components of pension cost</b>			
Current service cost	41	46	82
<b>Total charge disclosed in operating profit</b>	<b>41</b>	46	82
Expected return on pension scheme assets	450	398	793
Interest on pension liabilities recognised as finance cost	(380)	(348)	(703)
<b>Net return disclosed in finance income</b>	<b>70</b>	50	90
<b>Analysis of amount recognised in consolidated Statement of Recognised Income and Expense ("SORIE")</b>			
Actual return less expected return on assets	(139)	(342)	(38)
Experience gain/(loss) on liabilities	1,663	(587)	(2,094)
<b>Actuarial gain/(loss) recognised in SORIE</b>	<b>1,524</b>	(929)	(2,132)

# Notes to the Interim Financial Statements

continued

## 8 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Equity at start of period	<b>10,942</b>	13,542	13,542
Total recognised income and expense for the period	<b>1,794</b>	(581)	(1,815)
Dividends paid (see note 5)	<b>(595)</b>	(592)	(878)
Share based payments	<b>40</b>	(10)	(6)
Shares issued and allotted	<b>38</b>	99	99
Equity at end of period	<b>12,219</b>	12,458	10,942

Shares issued and allotted relate to shares issued to satisfy the exercise of share options during the period.

## 9 EXCEPTIONAL ITEMS

Operating exceptional items in the six months to 30 September 2007 and which, in the opinion of the directors, do not form part of the underlying operating costs/(income) of the businesses, comprise:

	<b>Unaudited six months ended 30 September 2007 £000</b>	Unaudited six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Profit/(loss) on disposal of property, plant and equipment	468	–	(302)
Legal expenses	(72)	–	–
Inventory write down	(65)	–	–
Severance costs	–	–	(224)
Other closure costs	–	(421)	(495)
Costs of transfer to AIM	–	–	(120)
	<b>331</b>	(421)	(1,141)

On 4 April 2007 the Group disposed of a surplus property at Fred Duncombe Ltd for proceeds of £705,000. The net book value of the property was £219,000 and the costs of disposal amounted to £18,000.

Legal expenses have been incurred in respect of the claim noted in last two years accounts in respect of alleged statutory nuisance in relation to the operations of our Walsall Foundry which has continued to be pursued by the claimants. The Company is continuing to vigorously defend this claim.

The inventory write down relates to items that had been incorrectly valued in Russell Ductile Castings Limited as at 31 March 2007.



## Registered Office

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**Registered No. 76928**

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## Directors

**Tom Brown** (Non-Executive Chairman)

**Tim Hair** (Chief Executive)

**Mark Bache** (Finance Director)

**Adam Vicary** (Managing Director – Chamberlin & Hill Castings Ltd)

**Keith Jackson** (Non-Executive)

**Alan Howarth** (Non-Executive)

## Manufacturing Units

- **Chamberlin & Hill Castings Limited**
- **Russell Ductile Castings Limited**
- **Petrel Limited**
- **Fred Duncombe Limited**

## Principal Activities and Markets

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

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

Lighting and switchgear associated with hazardous areas environments including petrochemical and construction applications.

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



## **Chamberlin plc**

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