



Chamberlin & Hill plc

Report and Accounts 2004

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Highlights

- Pre-tax profits up to £1.013 million
- Dividend maintained at 11.85p for the year
- Strong balance sheet
- Acquisition of Russell Castings completed on 2 April 2004

	2004	2003
	£000	£000
Turnover	27,311	27,027
Operating profit	1,007	1,373
Profit before taxation	1,013	908
Basic earnings per share	9.6p	9.0p
Dividend per share	11.85p	11.85p

Directors and Advisors

Directors	T. H. P. Brown, M.A., M.B.A., (Chairman) N. B. Williams, M.Sc., C.Eng., M.I.C.M.E. (Chief Executive) P. E. H. Bell, A.C.M.A., A.C.I.S. (Finance) A. Vicary, M.Sc., B.Eng. (Hons) (Foundry Operations) J. K. Bather, M.I.C.M.E. (Deputy Chairman) The Viscount Eccles, C.B.E. (Non-executive Director) N. C. D. Kuenssberg, B.A., F.C.I.S., C.C.M.I., FloD. (Non-executive Director)
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

In our Interim Announcement in November we commented on our experience of slow markets and that we expected further consolidation within the foundry sector. Activity continued at a disappointingly low level until the end of January but since that time we have experienced some improvement in general demand.

In addition to this there have been a number of foundry closures which have benefited our order books. However at the same time we have experienced very significant increases in the price of ferrous raw materials, driven by rapidly escalating global prices, and it has been difficult to achieve timely price rises from our customers to adequately compensate for these.

Overall, turnover for the year was 1% higher than in 2003 at £27.31m. Operating profit was reduced to £1.007m (£1.373m previously), largely due to pressure on margins resulting from the raw material price rises referred to above. Profit before tax was £1.013m compared to £0.908m

previously. Earnings per share were 9.6p (9.0p previously). The Balance Sheet remains strong with net cash of £482,000 (£692,000 previously) at the year end. The Directors are recommending an unchanged final dividend of 8.00p, making a total for the year of 11.85p (2003: 11.85p)

We announced in March our agreement to purchase certain assets and the business of Russell Castings in Leicester. Following shareholder approval at our EGM on 2nd April we completed this transaction, significantly extending our foundry operations. We are exploring the synergy opportunities for Russell Castings with our existing foundries and are pleased to be joined by an excellent team that will complement our existing staff.

For the first time for some while all of the foundry sites are now operating at budgeted levels of volume, although the problem of rising raw material prices has continued. We have also seen some improvement in demand for

our safety and security products, albeit of a more modest amount. Overall we expect to see a return to growth in the year ahead aided by Russells, although as indicated in the circular posted to shareholders at the time of the acquisition, some non-recurring restructuring costs are anticipated in order to maximise the opportunities available.

Tom Brown
Chairman

Chief Executive's Review

Results

Turnover in 2003/2004 of £27.3m was some 1% higher than in the previous year. The year started with activity slightly better than in the 4th quarter last time. However, trading deteriorated to a low point in the 3rd quarter before some improvement in demand in the final period of the year. Better volume in the foundries was helped by further consolidation as a result of foundry closures, in particular the closure of Henley Foundry, Halesowen benefited our order books at both Walsall and Bloxwich. Also a feature of the year was the rapid rise in the price of ferrous scrap and metallurgical coke. Monthly increases in these materials during the second half and the inevitable time lag for recovery from customers had a detrimental effect on our foundry margins. Overall, turnover from castings rose from £18m in the year ended 2003 to £19m this year. However, the net margin fell from 6.1% previously to 4.4% this time. New production steel also rose significantly in price. Despite this our light engineering

businesses managed to maintain their margins, although turnover at £8.3m was lower than the £9.0m achieved in 2003.

Within the individual foundries Walsall was hardest hit by the material price rises and the difficulty in recovery, while Bloxwich Foundry saw a further decline in the demand for malleable iron tube fittings. We have introduced considerable new business both for grey and ductile iron into Bloxwich Foundry to change its underlying market position. Ductile Castings improved its performance with a significant increase in sales and better margins in the year. Although sales fell slightly at PFP it was pleasing to see margins recovering, while at Fred Duncombe a reduction in turnover led to some decline in the profits achieved.

Investment

Our major investments in the year included the purchase of plant and equipment from the administrators following the closure of Henley

Foundry. This enhanced our capacity at Walsall and Bloxwich and helped to ensure the smooth transfer of the order book.

On 2 April 2004 we acquired certain of the assets and the business of Russell Castings, Leicester. Russells is an extremely well-known foundry with a turnover of £9.2m in the year ended March 2004. We are currently operating the foundry on its existing site while we evaluate how to gain maximum benefit from synergies with our other foundries. Russells has established a market position in technical excellence for austenitic ductile iron (ADI), where it is a pathfinder in new applications for this material.

The size range of castings produced by Russell complements those within the existing group, providing us with the opportunity to offer castings from 0.1Kg up to 6 tonnes in grey iron, ductile iron, ADI and a variety of alloyed iron. There is considerable opportunity for cross selling to existing customers.

We acquired 14,000 square feet of building that we previously rented contiguous to our existing factory at Fred Duncombe. We have made further investments in our range of high security exit hardware and are now beginning to see the planned market opportunities opening up for these products.

Outlook

Our priority is to improve our margins at Walsall and Bloxwich foundries, while increasing volume in line with market demand. At Ductile Castings we are actively seeking to increase the output of castings in the weight range 50 kilos to 300 kilos. We will be seeking to expand our production of ADI at Ductile as well as at Bloxwich and Russells. Overall, we expect to see growth in volume and profits in our foundry operations this year aided by Russells. We hope to build on the sound foundations at PFP, to further improve our margins as well as extending our range of lighting products. At Fred Duncombe we

are restructuring and strengthening our sales activity. We expect further progress with our security range of products, and are seeking to lower cost by finding new sources of supply throughout our businesses.

For the future we are looking to build on the foundations we have put in place this year, improving volumes and operating margins, and maximising the opportunities available to us through Russell Castings. The year ahead will be one of consolidation and growth. It has been a testing year and our excellent team of people have once again shown their dedication. I would like to thank them all most sincerely.

Barrie Williams

Chief Executive

Report of the Directors

The Directors present their Annual Report and Accounts for the year ended 31 March 2004.

Principal activities

The Group is engaged in ironfounding and light engineering products.

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 £707,000 (2003: £658,000). After dividends the deficit is £164,000 (2003: £213,000). Movements in Reserves are shown in Note 19.

Dividends

The Directors recommend the payment of a final dividend of 8.00p per share payable on 30 July 2004 which together with the interim dividend of 3.85p per share paid on 19 December 2003, totals 11.85p for the year (2003:11.85p).

Directors

Details of the Directors of the Company are shown below together with their interests in the shares of the Company. Share options are shown in the Directors' Remuneration Report on pages 11 to 14.

All Directors held office throughout the year, except Tom Brown who was appointed a Director on 12 September 2003, and became Chairman on 1st March 2004.

Adam Vicary retires from office as Director by rotation and, being eligible, offers himself for re-election. He has a service agreement which provides for termination by the Company on not less than one year's notice. John Bather, having reached the age of 70, retires as a Director and, being eligible, offers himself for re-election. He does not have a service agreement.

Tom Brown was appointed by the Board and will seek re-appointment by the shareholders at the Annual General Meeting.

John Eccles does not intend to seek re-election at the Annual General Meeting.

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

Non-Executive Directors

Tom Brown

Aged 55, he joined the Board in 2003 and was appointed independent Non-Executive Chairman on 1st March 2004. He is also Chairman of Dyson Group plc, and a director of a number of private companies, and was previously Chief Executive of Fenner plc and United Industries plc.

John Bather

Aged 70, John Bather has been a Director since 1964. He was formerly Managing Director and now serves as Non-Executive Deputy Chairman.

John Eccles

Aged 73, John Eccles served as Chairman from 1982 until 2004. He was previously Chairman of Courtaulds Textiles plc and a Director of Govett Strategic Investment Trust plc.

Nick Kuenssberg

Aged 61, he was appointed a Director in 1999. He is Chairman of Iomart Group plc, and GAP Group Ltd and chairman and director of other companies.

Report of the Directors

Executive Directors

Barrie Williams

Aged 60, 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 53, he joined the Company in 1969 and was appointed Company Secretary in 1987. He was appointed to the Board in 1995.

Adam Vicary

Aged 36, he joined the Company in 1988 and was appointed to the Board in September 2001. Having spent three years as Managing Director at Ductile Castings Limited, he is now responsible for foundry operations.

Directors' shareholdings

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

	31 March 2004	31 March 2003
John Eccles	220,750	240,750
John Bather	771,018	771,018
Barrie Williams	50,000	50,000
Peter Bell	18,000	18,000
Nick Kuenssberg	25,000	25,000
Adam Vicary	1,100	1,100
Tom Brown	–	–

John Bather had a non-beneficial interest in the share capital of the Company at 31 March 2004 of 25,000 shares (2003: 25,000). John Eccles had a non-beneficial interest in the share capital of the Company at 31 March 2004 of 35,000 shares (2003: 15,000). There have been no changes in the interests set out above between 1 April 2004 and 25 May 2004.

Special Business

Directors' authority to allot shares

Approval will be sought for a special resolution to renew the authority given to the Directors to allot shares in the Company. The present authority was granted on 30 July 1999 and under Section 80 of the Companies Act must be renewed at least every 5 years. Authority will also be sought from shareholders to allow the Directors to issue new shares for cash to persons other than to existing members up a maximum nominal amount of £91,761. This sum represents 367,044 ordinary shares of 25 pence each, being equivalent to 5% of the issued share capital of the Company at 25 May 2004.

Both authorities are to be for the period commencing on the date of passing of the Resolution until the earlier of the conclusion of next Annual General Meeting or 31 October 2005. The proposed Resolution is set out as item 8 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2003, 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 25th May 2004. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 9 in the Notice of Meeting. This authority will only be exercised if the Directors, in the light of market conditions prevailing at the time, expect it to result in an increase in earnings per share, and if it is in the best interests of the shareholders generally. Account will also be taken of the effect on gearing and the overall position of the Company.

Report of the Directors

Substantial shareholders

At 25 May 2004 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
Schroder Institutional UK Smaller Companies Fund Discretionary Unit Fund	571,889	7.79
Perfecta Assets Ltd	500,000	6.81
Mr. M. E Love & Mrs. J. M. Love	270,000	3.68
	263,158	3.58

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 £1,000 (2003: £950). 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 a business relationship with a supplier, to ensure 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 2004 was 50 days (2003: 50 days) and that of the Company was 46 days (2003: 47 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.

Post balance sheet event

As referred to in the Chairman's Statement, the Group acquired the business and assets of Russell Castings on 2 April 2004.

Auditors

Heathcote & Coleman have indicated their willingness to continue in office, and a resolution proposing their re-appointment as auditors and to authorise the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Peter Bell

Secretary

26 May 2004

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, three 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 and Tom Brown is also regarded as an 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*

Members of the Board 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 - Nick Kuenssberg (Chairman), Tom Brown and John Bather, 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 Group Finance Director and at the year end by external auditors. Interim and Annual Reports are reviewed by the Audit Committee prior to issue.

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

(m) *Going Concern*

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

By order of the Board

Peter Bell
Secretary

26 May 2004

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors – Tom Brown, Chairman, Nick Kuenssberg and John Bather. The Committee meets when necessary and is responsible for determining the remuneration policy and packages of the Executive Directors and of the Chairman.

Policy on remuneration of Executive Directors and Senior Executives

The Committee aims to ensure that remuneration packages offered are designed to attract, maintain and motivate high calibre Directors and senior executives. 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 a company car 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 received 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 received an annual bonus payment 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*

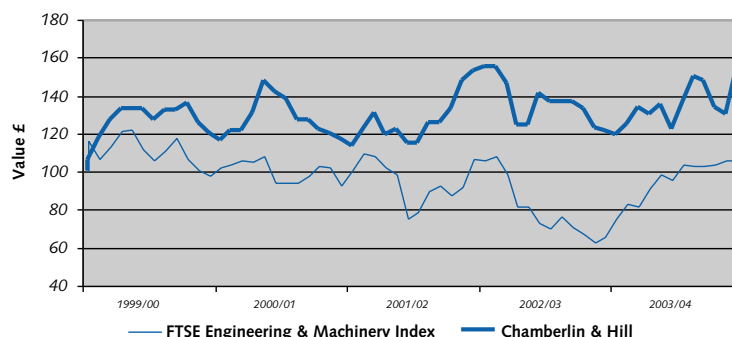
An incentive to achieve longer-term improvements in shareholder value is afforded through share options. An Approved Scheme and an Unapproved Scheme for Senior Executives were established in 1997.

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 2 years notice. This does not comply with Provision B.1.7 of the Combined Code which states that there is a strong case that notice periods should be one year or less. The Board however notes that these agreements were freely negotiated at a time when 2 year notice periods were not in breach of any stated principles of corporate governance, and believe it would be inappropriate to seek now to remove such terms for the following reasons:

- On 2 September 2003 Peter Bell gave notice to terminate his employment with the company on 27 September 2005. His un-expired notice period is therefore now approximately 16 months.
- Barrie Williams' contract terminates on his normal retirement date of 20 September 2006. Therefore with effect from September this year the notice period will progressively reduce from its current level of 2 years.

All new executive directors are expected to have rolling service contracts terminable on no more than 1 year's notice. Adam Vicary has a rolling 1 year contract dated 28 June 1999.

Non-Executive Directors

Remuneration of the Non-Executive Directors, apart from the Chairman, is approved from time to time by the Chairman and the Executive Directors.

Tom Brown has entered into a letter of engagement with the Company, and Tom Brown & Company Limited has entered into a service agreement with the Company both dated 12 September 2003. The terms of the letter state that the term of his appointment by the Company will be three years unless terminated by either party giving to the other three months notice or one year in the event of a change in control of the Company. The other 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>	
	£000	£000	£000	£000	2004 £000	2003 £000
Executive						
Barrie Williams	117	–	21	6	144	150
Peter Bell	89	–	9	5	103	107
Adam Vicary	67	–	13	4	84	79
Non-Executive						
Tom Brown (from 12 Sept. 2003)	–	14*	–	–	14	–
John Eccles	–	30	4	–	34	33
John Bather	–	18	2	–	20	20
Nick Kuenssberg	–	21*	–	–	21	18
Total	273	83	49	15	420	407
<i>Total 2002/2003</i>	<i>260</i>	<i>66</i>	<i>47</i>	<i>34</i>	<i>407</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.

Directors' Remuneration Report

The figures above represent emoluments earned as Directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses which are paid in the year following that in which they are earned.

Directors' pensions

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

			Change in				Increase		
		Change in	accrued	Accrued	Transfer	Directors'	in transfer	net of	Transfer
Age	Accrued	accrued	benefit	benefit at	value at	contribu-	value	directors'	value at
at	benefit at	benefit	due to	31 March	31 March	tions	net of	contribu-	31 March
year	31 March	due to	other	2004	2003	(note 2)	tions	tions	2004
end	2003	inflation	factors	(Note 1)	2003	£000	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Barrie Williams	60	69	2	2	73	949	9	81	1039
Peter Bell	53	47	1	2	50	434	7	52	493
Adam Vicary	36	9	-	1	10	37	4	4	45

Notes:-

1. The pension entitlement shown is that paid annually at normal retirement age of 63, based on service to 31 March 2004.
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' Remuneration Report

Directors' options

	31 March 2004	Granted in year	Exercised during year	31 March 2003	Option price	Exercisable between
Barrie Williams	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
Adam Vicary	8,000	–	–	8,000	157.5p	01.08.2005-31.07.2009
	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	–	–	162,250		

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 no share options were granted to Directors. None were exercised and none lapsed. There have been no changes in the interests set out above between 1 April 2004 and 25 May 2004.

Gains made by Directors on the exercise of share options amounted to £nil (2003: £nil).

The mid-market price of the shares at 31 March 2004 was 177.5p and ranged between 177.5p and 132.5p during the year.

On behalf of the Board.

Tom Brown

(Chairman, Remuneration Committee)

26 May 2004

Independent Auditors' Report

to the members of Chamberlin & Hill plc

We have audited the financial statements on pages 16 to 33. 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 2004 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

26 May 2004

Consolidated Profit and Loss Account

for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Turnover	2	27,311	27,027
Cost of sales		(22,526)	(21,978)
Gross profit		4,785	5,049
Other operating expenses	3	(3,778)	(3,676)
Operating profit		1,007	1,373
Exceptional item - restructuring costs		–	(451)
Profit before interest and taxation		1,007	922
Interest receivable	5	6	(14)
Profit on ordinary activities before taxation	6	1,013	908
Taxation	7	(306)	(250)
Profit on ordinary activities after taxation		707	658
Dividends	8	(871)	(871)
Transfer to reserves	19	(164)	(213)
Earnings per share: basic	10	9.6p	9.0p
adjusted	10	9.6p	13.3p
diluted	10	9.6p	9.0p
Dividend per share		11.85p	11.85p
Dividend cover		0.81	0.76

All items dealt with in arriving at the trading profit for both 2004 and 2003 relate to continuing activities.

The group has no material recognised gains or losses other than the profit for the year as disclosed.

Consolidated Balance Sheet

at 31 March 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		8,770		9,045
Intangible assets	12		201		215
			8,971		9,260
Current assets					
Stocks	13	3,496		3,282	
Debtors	14	6,656		5,623	
Cash at bank and in hand		482		692	
		10,634		9,597	
Creditors: amounts falling due within one year	15	(5,389)		(4,449)	
Net current assets			5,245		5,148
Total assets less current liabilities			14,216		14,408
Provisions	17		(734)		(762)
Net assets			13,482		13,646
Capital and reserves					
Called up share capital	18		1,835		1,835
Share premium account	19		718		718
Capital redemption reserve	19		109		109
Revaluation reserve	19		583		591
Profit and loss account	19		10,237		10,393
Equity shareholders' funds			13,482		13,646

Tom Brown }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 26 May 2004

Parent Company Balance Sheet

at 31 March 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		5,012		5,506
Investments	21		7,159		7,159
			<hr/>		
			12,171		12,665
Current assets					
Stocks	13	1,038		1,090	
Debtors	14	4,338		3,980	
Cash at bank and in hand		1		357	
		<hr/>		<hr/>	
		5,377		5,427	
Creditors: amounts falling due within one year					
	15	(4,177)		(3,627)	
		<hr/>		<hr/>	
Net current assets			1,200		1,800
Total assets less current liabilities			<hr/>		<hr/>
			13,371		14,465
Creditors: amounts falling due after more than one year					
	16		(120)		(120)
Provisions					
	17		(594)		(647)
		<hr/>		<hr/>	
Net assets			12,657		13,698
		<hr/> <hr/>		<hr/> <hr/>	
Capital and reserves					
Called up share capital	18		1,835		1,835
Share premium account	19		718		718
Capital redemption reserve	19		109		109
Revaluation reserve	19		583		591
Profit and loss account	19		9,412		10,445
		<hr/>		<hr/>	
Equity shareholders' funds			12,657		13,698
		<hr/> <hr/>		<hr/> <hr/>	

Tom Brown }
Peter Bell } Directors

The Accounts were approved by the Board of Directors on 26 May 2004

Consolidated Cash Flow Statement

for the year ended 31 March 2004

	Notes	2004		2003	
		£000	£000	£000	£000
Net cash inflow from operating activities			2,001		3,218
Return on investments and servicing of finance					
Interest paid		(8)		(24)	
Interest received		14		10	
Net cash inflow from returns on investments and servicing of finance			6		(14)
Taxation					
UK tax paid			(247)		(679)
Capital expenditure and financial investment					
Purchase of fixed assets		(1,147)		(1,710)	
Sale of fixed assets		49		91	
Net cash outflow from capital expenditure and financial investment			(1,098)		(1,619)
Equity dividends paid			(871)		(870)
Net cash flow before financing			(209)		36
Financing					
Issue of shares (including premium)		–		30	
Net cash inflow from financing			–		30
(Decrease)/Increase in cash and bank balances	25		(209)		66
Reconciliation of operating profit to net cashflow from operating activities					
Operating profit			1,007		1,373
Exceptional item – restructuring costs			–		(451)
Depreciation			1,391		1,556
Profit on disposal			(4)		(76)
Government grants credited			(3)		(5)
(Increase)/Decrease in stocks			(214)		80
(Increase)/Decrease in debtors			(1,033)		1,011
Increase/(Decrease) in creditors			857		(270)
			2,001		3,218

There were no activities which would fall under the heading of “management of liquid resources” during the year.

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 2004. 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>Ironfounding</i>		<i>Light Engineering</i>		<i>Total</i>	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Turnover						
Total sales	19,075	18,167	8,315	9,003	27,390	27,170
Inter-segment sales	(79)	(143)	–	–	(79)	(143)
Sales to third parties	18,996	18,024	8,315	9,003	27,311	27,027
Profit						
Trading profit	833	1,094	684	744	1,517	1,838
Common costs					(510)	(465)
					1,007	1,373
Exceptional item					–	(451)
Net interest receivable/(payable)					6	(14)
Group profit before taxation					1,013	908
Net assets						
Segmental net assets	10,005	10,188	4,271	3,983	14,276	14,171
Unallocated assets and borrowings					(794)	(525)
Total net assets					13,482	13,646

(ii) By geographical destination

	2004 £000	2003 £000
Turnover		
United Kingdom	22,574	22,406
Europe	3,797	3,421
Other countries	940	1,200
	27,311	27,027

3 OTHER OPERATING EXPENSES

	2004 £000	2003 £000
Distribution costs	734	704
Administration and selling expenses	3,044	2,972
	3,778	3,676

Notes to the Accounts

4 STAFF NUMBERS AND COSTS

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

	2004	2003
Management and administration	77	76
Production	355	392
Total employees	<u>432</u>	<u>468</u>

The aggregate employment costs of these employees excluding redundancy costs of £23,000 (2003: £316,000) were as follows:-

	2004 £000	2003 £000
Wages and salaries	8,672	8,652
Social security costs	822	750
Other pension costs	454	440
	<u>9,948</u>	<u>9,842</u>

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

5 INTEREST RECEIVABLE/(PAYABLE)

	2004 £000	2003 £000
Bank interest receivable	14	10
Bank overdraft interest payable	(8)	(24)
	<u>6</u>	<u>(14)</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £000	2003 £000
This is stated after charging:		
Profit on disposal of fixed assets	(4)	(76)
Depreciation of owned assets	1,377	1,542
Amortisation of Goodwill	14	14
Auditors' remuneration (Company £12,000 (2003: £12,000))	31	30
Research and Development expenditure	120	93
Rentals under operating leases:		
Hire of plant and equipment	7	33
Other	96	139

In addition to the above, the auditors received £30,000 (2003: £30,000 as restated) in the year for other services.

Notes to the Accounts

7 TAXATION

	2004 £000	2003 £000
<i>Current tax:</i>		
U.K. Corporation tax at 30% (2003: 30%) based on taxable profit for the year	346	311
Prior year adjustment	(12)	(33)
	<u>334</u>	<u>278</u>
<i>Deferred Taxation:</i>		
Movement in the year	(28)	(28)
	<u>306</u>	<u>250</u>
Reconciliation of current tax charge		
Profit on ordinary activities before tax	1,013	908
Corporation tax at standard rate of 30% (2003: 30%) on profit before tax	304	273
<i>Adjusted by the effects of:-</i>		
Expenses not deductible for tax purposes	5	10
Depreciation in excess of capital allowances	28	28
Other movements	(3)	(33)
	<u>334</u>	<u>278</u>

8 DIVIDENDS

	2004 £000	2003 £000
<i>Paid:</i>		
Interim dividend of 3.85p per share (2003: 3.85p)	284	284
<i>Proposed:</i>		
Final dividend of 8.00p per share (2003: 8.00p)	587	587
	<u>871</u>	<u>871</u>

9 TRANSFER TO RESERVES

The loss dealt with in the accounts of the parent company was £(1,041,000) (2003: £1,583,000 profit). The comparative figure was after the receipt of a dividend of £2,500,000 from a subsidiary company.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders and the weighted average number of ordinary shares in issue. 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 £nil (2003: £316,000) net of tax has also been disclosed as the Directors believe this allows an assessment of the underlying trading performance of the Group.

	2004 £000	2003 £000
Earnings for pre exceptional earnings per share	707	974
Exceptional item	–	(451)
Taxation effect of exceptional item	–	135
Earnings for basic and diluted earnings per share	<u>707</u>	<u>658</u>

Notes to the Accounts

10 EARNINGS PER SHARE (continued)	2004	2003
	000	000
Weighted average number of ordinary shares	7,341	7,336
Adjustment to reflect shares under options	–	13
Weighted average number of ordinary shares - fully diluted	7,341	7,349

11 TANGIBLE FIXED ASSETS				
Group	<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 2003	27,164	4,486	22,043	635
Additions	1,147	442	560	145
Disposals	(521)	–	(300)	(221)
At 31 March 2004	27,790	4,928	22,303	559
At cost	26,448	3,586	22,303	559
At valuation 1980	1,342	1,342	–	–
	27,790	4,928	22,303	559
<i>Depreciation</i>				
At 1 April 2003	18,119	1,104	16,627	388
Charge for year	1,377	96	1,184	97
Disposals	(476)	–	(300)	(176)
At 31 March 2004	19,020	1,200	17,511	309
<i>Net book value</i>				
At 31 March 2004	8,770	3,728	4,792	250
At 31 March 2003	9,045	3,382	5,416	247
Net book value of land and buildings comprises:-			2004	2003
			£000	£000
Freehold			3,663	3,304
Short leasehold			65	78
			3,728	3,382
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 2003	17,327	2,512	14,497	318
Additions	394	–	262	132
Additions from subsidiary undertakings	28	–	–	28
Disposals	(221)	–	(70)	(151)
At 31 March 2004	17,528	2,512	14,689	327
At cost	16,186	1,170	14,689	327
At valuation 1980	1,342	1,342	–	–
	17,528	2,512	14,689	327

Notes to the Accounts

11 TANGIBLE FIXED ASSETS (continued)

Company	Total £000	Land and buildings £000	Plant and machinery £000	Motor vehicles £000
<i>Depreciation</i>				
At 1 April 2003	11,821	750	10,857	214
Acquired from subsidiary undertaking	15	–	–	15
Charge for year	874	45	773	56
Disposals	(194)	–	(70)	(124)
At 31 March 2004	12,516	795	11,560	161
<i>Net book value</i>				
At 31 March 2004	5,012	1,717	3,129	166
At 31 March 2003	5,506	1,762	3,640	104

	Group £000	Company £000
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:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Cost	4,231	3,789	1,775	1,775
Depreciation	(1,099)	(1,011)	(721)	(684)
Net book value	3,132	2,778	1,054	1,091

12 INTANGIBLE FIXED ASSETS - GOODWILL

	Total £000
<i>Cost</i>	
At 1 April 2003 and 31 March 2004	271
<i>Amortisation</i>	
At 1 April 2003	56
Charge for year	14
At 31 March 2004	70
<i>Net Book Value</i>	
At 31 March 2004	201
At 31 March 2003	215

Notes to the Accounts

13 STOCKS

	<i>Group</i>		<i>Company</i>	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials	1,224	1,077	198	146
Work in progress	637	594	204	267
Finished goods	1,635	1,611	636	677
	3,496	3,282	1,038	1,090

14 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2004	2003	2004	2003
	£000	£000	£000	£000
Due within one year				
Trade debtors	6,359	5,475	3,468	2,550
Other debtors	17	2	1	–
Prepayments	280	146	145	55
Amounts due from subsidiary undertakings	–	–	724	1,375
	6,656	5,623	4,338	3,980

15 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due within one year				
Bank overdraft (repayable on demand)	–	–	262	–
Trade creditors	3,235	2,679	1,679	1,176
Corporation tax	194	107	44	16
Other taxation and social security	546	448	248	188
Other creditors	148	132	108	104
Accruals	679	496	400	254
Proposed dividend	587	587	587	587
Amounts owed to subsidiary undertakings	–	–	849	1,302
	5,389	4,449	4,177	3,627

16 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due after more than one year				
Amounts owed to subsidiary undertakings	–	–	120	120

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

Notes to the Accounts

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	<i>Group</i>		<i>Company</i>	
	2004 £000	2003 £000	2004 £000	2003 £000
Movement in deferred taxation during the year				
Balance brought forward (Credit) for the year	762 (28)	790 (28)	647 (53)	678 (31)
	734	762	594	647

	2004		2003	
	Amount not provided £000	Amount provided £000	Amount not provided £000	Amount provided £000
Group				
Capital allowances	–	734	–	762
Capital gains	475	–	475	–
	475	734	475	762
Company				
Capital allowances	–	594	–	647
Capital gains	392	–	392	–
	392	594	392	647

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

18 SHARE CAPITAL

	2004 £000	2003 £000
<i>Authorised</i> 9,000,000 (2003: 9,000,000) Ordinary shares of 25p	2,250	2,250
<i>Allotted, called up and fully paid</i> 7,340,908 (2003: 7,340,908) Ordinary shares of 25p	1,835	1,835

During the year no shares were issued under the executive share option schemes. During the previous year 18,750 shares were issued. No share options lapsed (2003: 28,500) and no options were granted (2003: 44,000).

Options outstanding at 31 March 2004 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

19 RESERVES

	<i>Capital redemption reserve</i> £000	<i>Share premium account</i> £000	<i>Revaluation reserve</i> £000	<i>Profit and loss account</i> £000
Group				
At 1 April 2003	109	718	591	10,393
Retained loss for the year	–	–	–	(164)
Transfer between reserves	–	–	(8)	8
At 31 March 2004	109	718	583	10,237
Company				
At 1 April 2003	109	718	591	10,445
Retained loss for the year	–	–	–	(1,041)
Transfer between reserves	–	–	(8)	8
At 31 March 2004	109	718	583	9,412

The cumulative amount of goodwill written off against reserves is £3,663,000 (2003: £3,663,000).

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Profit for the year	707	658
Dividends	(871)	(871)
Issue of share capital	–	30
Net movement in the year	(164)	(183)
Shareholders' funds at 31 March 2003	13,646	13,829
Shareholders' funds at 31 March 2004	13,482	13,646

21 FIXED ASSET INVESTMENTS

	2004 £000	2003 £000
<i>Shares in subsidiary undertakings</i>		
At cost less amounts written off	7,159	7,159

Wholly owned operating subsidiaries

Fred Duncombe Ltd
Ductile Castings Ltd
PFP Electrical Products Ltd
Russell Castings Ltd*

Principal activity

Architectural hardware
Large engineering castings
Lighting, switchgear and electrical installation products
Engineering castings

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

* Russell Castings Ltd (formerly Platt Malleable Castings Limited - a dormant company at 31 March 2004) was utilised to acquire the business and assets of Russell Castings on 2nd April 2004.

22 PENSION ARRANGEMENTS

During the year, the Group operated funded defined benefit and defined contribution pension schemes for the majority of its employees, these being established under trusts with the assets held separately from those of the Group. The pension cost for the Group for 2004 was £454,000 (2003: £440,000). The defined benefit scheme is closed to new members.

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 an estimate of the results of an actuarial valuation to be carried out as at 1 April 2004 using the projected unit method. The market value of the schemes assets on that date was £9,708,000 and the value of these assets represented 81% 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 3.75% per annum and the statutory "LPI" rate of increase to pensions in payment (other than GMPs) by 2.50% per annum.

The other scheme is a defined contribution scheme 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.

An actuarial valuation of the defined benefit scheme is due to be carried out on 1 April 2004 and advance calculations for that valuation have already been carried out by a qualified independent actuary. The service cost has been calculated using the Projected Unit method. As a result of the Scheme being closed to new entrants the service cost, expressed as a percentage of pensionable payroll, will increase as the members of the Scheme approach retirement. The major assumptions used by the actuary were (in nominal terms):-

	At 31 March 2004	At 31 March 2003	At 31 March 2002
Rate of increase in salaries	2.9%	2.6%	2.8%
Rate of increase of pensions in payment- post 1997 accrual only	2.9%	2.6%	2.8%
Discount rate	5.5%	5.4%	6.0%
Inflation assumption	2.9%	2.6%	2.8%

During the year members' contributions increased from 7% to 8% and from 1 April 2004 the future accrual rate will reduce from 1/60th to 1/80th. The Company contributed to the Scheme at an average rate of 16.9% in the year to 31 March 2004, and has agreed to contribute at the rate of 17.0% of members' pensionable salaries going forward. The position will be reviewed as part of the 2004 actuarial valuation.

Notes to the Accounts

22 PENSION ARRANGEMENTS (continued)

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

	As at 31 March 2004		As at 31 March 2003		As at 31 March 2002	
	Rate of return %	Asset Value £000	Rate of return %	Asset Value £000	Rate of Return %	Assets Value £000
Equities	7.25	6,603	7.00	4,977	7.50	6,631
Gilts	4.25	1,200	4.00	1,093	4.75	3,046
Bonds	5.00	1,676	4.90	1,672	5.50	–
Cash	4.00	52	3.50	198	3.50	116
Total market value of assets		9,531		7,940		9,793
Actuarial value of liability		(12,582)		(12,180)		(10,893)
Recoverable deficit in scheme		(3,051)		(4,240)		(1,100)
Related deferred tax asset		1,050		1,272		330
Net pension liability		<u>(2,001)</u>		<u>(2,968)</u>		<u>(770)</u>

* The rates quoted above are the expected net rates of return after allowance for expenses.

The effect this would have on the net assets of the group at 31 March 2004 is as follows:

	At 31 March 2004 £000	At 31 March 2003 £000	At 31 March 2002 £000
Net assets excluding pension liability	13,482	13,646	13,829
Net pension liability	(2,001)	(2,968)	(770)
Net assets including pension liability	<u>11,481</u>	<u>10,678</u>	<u>13,059</u>
Profit and loss account excluding pension reserve	10,237	10,393	10,598
Pension reserve	(2,001)	(2,968)	(770)
Profit and loss account including pension reserve	<u>8,236</u>	<u>7,425</u>	<u>9,828</u>

Analysis of the amount chargeable to operating profit

	Year to 31 March 2004 £000	Year to 31 March 2003 £000
Service cost	334	354
Past service cost	–	5
Total operating charge	<u>334</u>	<u>359</u>

Analysis of net return on pension scheme

	Year to 31 March 2004 £000	Year to 31 March 2003 £000
Expected return on pension scheme assets	474	640
Interest on pension liabilities	(657)	(647)
Net return	<u>(183)</u>	<u>(7)</u>

Notes to the Accounts

22 PENSION ARRANGEMENTS (continued)

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

	Year to 31 March 2004 £000	Year to 31 March 2003 £000
Actual return less expected return on assets	1,088	(2,307)
Experience gain/(loss) on liabilities	456	–
Changes in assumptions	(153)	(767)
Actuarial gain/(loss) recognised in STRGL	<u>1,391</u>	<u>(3,074)</u>

Movement in deficit during the year

	Year to 31 March 2004 £000	Year to 31 March 2003 £000
Deficit in scheme at beginning of year	(4,240)	(1,100)
<i>Movement in year:</i>		
Current service cost	(334)	(354)
Contributions	315	300
Past service costs	–	(5)
Net return on assets	(183)	(7)
Actuarial gain/(loss)	1,391	(3,074)
Deficit in scheme at end of year	<u>(3,051)</u>	<u>(4,240)</u>

History of experience gains and losses

	Year to 31 March 2004	Year to 31 March 2003
Difference between expected and actual return on scheme assets:		
amounts (£000)	1,088	(2,307)
percentage of scheme assets	11%	(29.1%)
Experience gain/(loss) on scheme liabilities:		
amounts (£000)	456	–
percentage of scheme liabilities	3%	–
Total amount recognised in statement of total recognised gains and losses:		
amounts (£000)	1,391	(3,074)
percentage of scheme liabilities	11%	(25.2%)

Notes to the Accounts

23 CONTINGENT LIABILITIES

Cross guarantees exist between the Company and its subsidiary undertakings in respect of the Group's bank overdrafts. The borrowings of the subsidiaries at 31 March 2004 amounted to £nil (2003: £nil).

24 FINANCIAL COMMITMENTS

	<i>Group</i>		<i>Company</i>	
	2004 £000	2003 £000	2004 £000	2003 £000
Capital expenditure				
Contracted for but not provided in the accounts	46	56	–	17

Lease commitments

The Group had annual commitments under operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2004 £000	2003 £000	2004 £000	2003 £000
Leases terminating:				
within one year	–	–	1	–
between two and five years	–	43	–	6
after more than five years	96	96	–	–

25 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	2004 £000	2003 £000
(Decrease)/Increase in cash in the year	(209)	66
Cashflow from debt and lease financing	–	–
Change in net funds arising from cashflows	(209)	66
Net funds at 31 March 2003	692	626
Net funds at 31 March 2004	483	692

26 CURRENCY ANALYSIS

The Group's functional currency is sterling. At the year end it had net monetary assets/(liabilities) denominated in Euros of £854,000 (2003: £434,000). During the year the Group has used forward contracts to reduce its exposure to currency exchange risk.

27 POST BALANCE SHEET EVENTS

On 2 April 2004 the Group acquired the business and assets of Russell Castings, a division of Elliott Industries Ltd, for the sum of £1,000,000.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Friday 30 July 2004 at the Registered Office, Chuckery Foundry, Walsall at 12.30 p.m. for the following purposes:

Ordinary business

1. To receive and adopt the Report of the Directors, Statement of Accounts and Report of the Auditors for the year ended 31 March 2004. (Resolution 1)
2. To declare a Final Dividend for the year ended 31 March 2004 of 8.00p per Ordinary Share to be paid to members whose names appear on the register of members at the close of business on 2 July 2004. (Resolution 2)
3. To re-elect as a Director Adam Vicary who is retiring by rotation pursuant to Article 107 of the Company's Articles of Association. (Resolution 3)
4. To re-elect as a Director John Bather who is retiring having reached 70 years of age pursuant to Article 105 of the Company's Articles of Association. (Resolution 4)
5. To re-appoint as a Director Tom Brown who is retiring pursuant to Article 112 of the Company's Articles of Association. (Resolution 5)
6. To approve the Directors' Remuneration Report for the year ended 31 March 2004. (Resolution 6)
7. To re-appoint Heathcote & Coleman as Auditors to the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

Special Business

8. To consider and, if though fit, pass the following as a special resolution:-

That

- 8.1 the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (in substitution for any existing power to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £414,773 provided that such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2005, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance to such offers or agreements; and
- 8.2 pursuant to and in accordance with the provisions of Article 18 of the Company's Articles of Association the Directors be empowered (in substitution for any existing authority to allot relevant securities) to allot equity securities (as defined in Section 94 of the Companies Act 1985) for cash pursuant to the general authority given to them for the purposes of Section 80 of the Act as if Section 89(1) of the Companies Act 1985 did not apply to such allotment:
 - (i) up to an aggregate nominal amount of £91,761; and
 - (ii) such authority to expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2005, but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements. (Resolution 8)

Notice of Meeting

9. To consider and, if thought fit, pass the following as a special resolution:

That the Company be and hereby is generally and unconditionally authorised pursuant to Article 12 of the Articles of Association of the Company and pursuant to section 166 of the Companies Act 1985 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") on such terms and in such manner as the Directors may from time to time determine 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 London Stock Exchange Plc 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 earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2005 (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 9)

By order of the Board

Peter Bell
Company Secretary
25 June 2004

Chuckery Foundry
Walsall
WS1 2DU

General Information

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.

Warrants for the final dividend, if approved at the Meeting, will be posted on 30 July 2004 to shareholders registered at the close of business on 2 July 2004.

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) the register of Directors' interests in shares of the Company kept pursuant to Section 325 of the Companies Act 1985; and
- (b) copies of contracts of service of Directors with the Company or with any of its subsidiary undertakings.

An explanation of Resolutions 8 and 9 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

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Turnover	27,311	27,027	30,548	32,521	31,531
Operating Profit	1,007	1,373	2,545	2,965	3,308
Exceptional item	–	(451)	–	(340)	–
Interest receivable/(payable)	6	(14)	(19)	(32)	(7)
Profit before taxation	1,013	908	2,526	2,593	3,301
Taxation	(306)	(250)	(778)	(783)	(932)
Profit after taxation	707	658	1,748	1,810	2,369
Dividends	(871)	(871)	(866)	(836)	(800)
Transfer to reserves	(164)	(213)	882	974	1,569
Operating profit as a percentage of turnover	3.7	5.1	8.3	9.1	10.5
Earnings per share (pence)	9.6	9.0	24.0	24.9	30.9
Adjusted earnings per share (pence) (excluding exceptional item)	9.6	13.3	24.0	28.9	30.9
Dividend per share (pence)	11.85	11.85	11.85	11.50	11.00
	£000	£000	£000	£000	£000
Funds Employed	13,482	13,646	13,829	12,867	11,893
Percentage of operating profits to funds employed	7.5	10.1	18.4	23.0	27.8

Manufacturing Units



Foundries

Walsall Foundry
Bloxwich Foundry
Ductile Castings Ltd

Preferred supplier of castings inc

- Grey Iron
- Malleable Iron
- Ductile Iron
- Austenitised Ductile Iron
- Hi Hard
- Hi Nickel
- 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

Castings from 300kg to 5 tonnes in grey, ductile, alloyed irons and steel for a range of applications including pwr generation, bearing housings, steelworks, construction and compressors.

RUSSELL CASTINGS LTD

Bonchurch Street
Leicester LE3 5EP
Tel: 0116 299 2000 Fax: 0116 299 8844

Castings from 1kg to 500kg in ductile, ADI and grey iron principally for use in commercial vehicles, materials handling, hydraulic and railway applications.

PFP ELECTRICAL PRODUCTS LTD

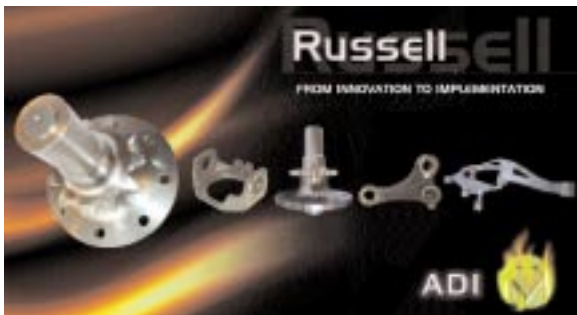
Fortnum Close, Mackadown Lane
Kitts Green, Birmingham B33 0LB
Tel: 0121 783 7161 Fax: 0121 783 5717

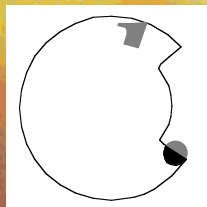
Products associated with cable management. Lighting and switchgear associated with petrochemicals and construction applications.

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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Tel: 01922 721411 Fax: 01922 638370

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email: plc@chamberlin.co.uk