

Chamberlin & Hill plc

Report and Accounts 2005

Welcome to Chamberlin & Hill plc



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Highlights

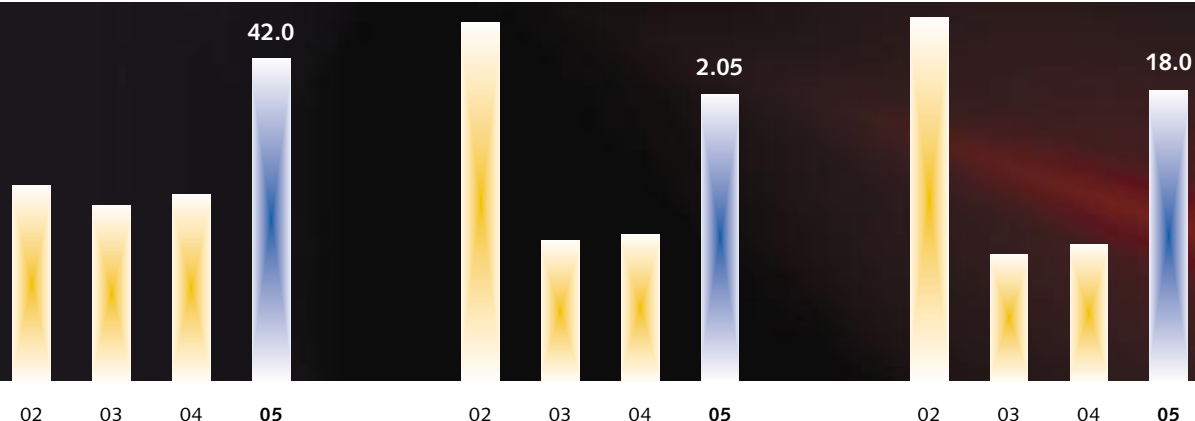
for the year ended 31 March 2005

“The largest contributor to the Group’s welcome return to growth was an excellent performance from Russell Castings . . . ”

Turnover (£m)

Operating profit (£m)

Basic earnings per share (pence)



- Turnover up 54% to £42m
- Operating profit up 103% to £2.05 million
- Basic earnings per share up 87% to 18p
- Strong performance from Russell Castings acquisition
- Dividend maintained at 11.85p for the year
- Dividend cover increased to 1.5 times
- Balance sheet remains strong

	Year to 31 March 2005 £000	Year to 31 March 2004 £000
Turnover	41,970	27,311
Operating profit	2,046	1,007
Profit before taxation	1,986	1,013
Basic earnings per share	18.0p	9.6p
Dividend per share	11.85p	11.85p

Activities and Markets

Chamberlin & Hill is a leading foundry and engineering group providing specialised castings and safety/security products to a wide variety of industries.



Castings

Chamberlin & Hill and its subsidiaries, Ductile Castings and Russell Castings, come together to provide a total castings capability and market leading service to customers throughout the UK, mainland Europe and the rest of the World.

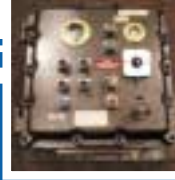
Based on over a century of world class experience and expertise, customers specialising in areas ranging from automotive to power generation and military to light engineering, have come to rely on us to satisfy their requirements for iron castings and fully finished components.

Our Light Castings Division, comprising the Chamberlin & Hill foundries at Walsall and Bloxwich in the West Midlands, specialises in smaller castings up to approximately 30kg, often with complex shapes and fine tolerances requiring highly skilled manufacturing methods. These castings and components are predominantly supplied into the automotive industry for such applications as turbochargers, hydraulic pumps and power steering systems. The strong growth in the use of turbochargers in European vehicle manufacture in particular has given us the opportunity to demonstrate our industry leading capabilities in this area.

The Heavy Casting Division, made up of Russell Castings in Leicester and Ductile Castings in Scunthorpe, produces low volume specialised castings in a variety of iron types, ranging from under 30kg to 5,000kg, mainly for use in industrial applications such as power generation, steel production, railways and construction throughout the World. Demand for machined and finished components rather than raw castings is becoming increasingly prevalent, and we are responding by broadening our capability to provide a "one-stop shop" to satisfy our customers' requirements.



Engineering



The Engineering Division of the Chamberlin & Hill Group currently comprises Fred Duncombe Limited and PFP Electrical Products Limited.

Fred Duncombe, based in Cannock, Staffordshire, is a long established and leading supplier of high quality emergency exit fittings, architectural ironmongery and builders' hardware products. Its EXIDOR emergency exit product range is a leader in the exit and security door equipment market with an expanding range of equipment to satisfy a variety of access applications. The Webb Lloyd range of top quality door furniture products, predominantly used in

high class office developments, restaurants, colleges and a wide variety of private and publicly used buildings, is another key part of the Fred Duncombe product portfolio.

PFP Electrical Products, based near the National Exhibition Centre to the East of Birmingham, concentrates on the development and production of certified lighting and control systems for use in hazardous environments, utilising its many years of experience in manufacturing to supply high quality, innovative lighting solutions to the petrochemical and other industries. The same experience

and skill is applied to its cable management product ranges which are used in both domestic and industrial environments.



Directors

Tom Brown, MA, MBA *Chairman*

Aged 56, Tom joined the Board in 2003 and was appointed independent Non-Executive Chairman on 1 March 2004. He is also Chairman of Dyson Group plc, a Non-Executive Director of Northgate plc and a director of a number of private companies. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc.

Barrie Williams, MSc, CEng, MICME *Chief Executive*

Aged 61, 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.

Simon Duckworth, BA, ACA *Finance*

Aged 44, he joined the Company in July 2004 and succeeded Peter Bell as Finance Director on 9 November 2004. He was previously Finance Director of Compass Software Group plc and has held senior financial positions in a number of engineering groups since qualifying as a Chartered Accountant with Price Waterhouse in 1984.

Adam Vicary, MSc, BEng (Hons) *Foundry Operations*

Aged 37, 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 now has board responsibility for all foundry operations.

John Bather, MICME *Deputy Chairman*

Aged 71, John Bather has been a Director since 1964. He was formerly Managing Director of the group and now serves as Non-Executive Deputy Chairman.

Nick Kuenssberg, OBE, BA, FCIS, CCMI, FloD *Non-Executive Director*

Aged 62, Nick was appointed a Director in 1999. He is Chairman of Iomart Group plc, Keronite Limited and GAP Group Ltd, and chairman or director of a number of other companies. He acts as Chairman of the Audit Committee and is Chairman of the Trustees of the staff pension scheme. Nick is designated as the senior independent non-executive director.

Advisors

Company Secretary	Simon Duckworth BA, ACA
Registered Office	Chuckery Foundry, Walsall WS1 2DU <i>Registered in England No. 76928</i>
Auditors	Heathcote & Coleman, Birmingham
Solicitors	Eversheds LLP, Birmingham
Stockbrokers	Teather & Greenwood London
Bankers	HSBC Bank plc, Birmingham
Registrars	Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA

“ The largest contributor to the Group's welcome return to growth was an excellent performance from Russell Castings.... ”

When I reported to shareholders in November 2004, we expected that the activity levels experienced in the first half would continue to be broadly similar for the remainder of the year. In the event this was indeed the case, and I am pleased to report that, for the year ended 31 March 2005, it has allowed the Group to record a significant improvement over the previous year despite the difficulties arising from the escalating costs of raw materials and energy.

Turnover for the group reached £42.0m (2004: £27.3m), a growth of 54%. Operating profit increased 103% to £2.05m (2004: £1.01m), while profit before tax, after exceptional items of £325k relating primarily to restructuring of the foundry divisions, and a net goodwill credit mainly arising from the Russell acquisition of £299k, was £1.99m (2004: £1.01m). Fully diluted earnings per share rose to 18.0p. The balance sheet remains strong with net debt at the year end of £42k (2004: Net cash £482k) after the purchase of Russell Castings for £1.12m in cash, and capital investment of £1.25m.

The Board is recommending an unchanged final dividend of 8.0p per share (11.85p total for the year) payable on 29 July 2005 to shareholders on the register as at close of business on 8 July 2005.

The largest contributor to the Group's welcome return to growth was an excellent performance from

Russell Castings, which we acquired on 2 April 2004. Russell has fully lived up to our initial expectations and continues to demonstrate it was a sound investment. Synergy opportunities and plans for longer term integration of our foundry activities continue to be developed. The Walsall foundry and PFP Electrical Products, our specialised lighting business, also showed welcome progress.

An improvement in demand was accompanied by very substantial increases in the costs of our raw materials and energy. Difficulties and delays in recovering these cost rises have had the inevitable effect of reducing net margins. At the time of writing there has been a lull in cost increases, but uncertainty remains over their future direction.

The Group is presently operating at budgeted levels of sales and profitability. We currently anticipate activity to remain broadly similar for the foreseeable future and if this proves to be the case we anticipate another year of underlying progress. In addition, we will continue to seek new opportunities to use the Group's strong balance sheet to further enhance earnings.

Tom Brown

Chairman

9 June 2005

“ For the year ahead the focus is to improve net margins.... ”

2004/05 was a year of strong recovery, with turnover increasing to £42.0m (2004: £27.3m). The major factor was the acquisition of Russell Castings, although improved demand and higher prices in our existing foundry businesses were also factors. The benefits of this growth in sales were, in part, mitigated by the substantial price increases in new production steel, ferrous scrap, pig iron, energy and ferro-alloys and the time lag in the recovery of these increases through higher selling prices. Not surprisingly many customers have found this situation equally difficult with protracted negotiations and tough decisions having to be faced. Without doubt, the improvement in net operating margins to 4.9% (2004: 3.7%) would have been higher but for these circumstances.

Foundries

Foundry turnover reached £34.0m (2004: £19.0m) including turnover at Russell Castings of £11.2m, and foundry operating profits reached £1.82m (2004: £0.83m), with Russell Castings contributing £0.78m, before exceptionals and the release of negative goodwill.

Our decision not to move Russell Castings immediately from its Leicester site led to a restructuring of our castings business. Walsall and Bloxwich foundries were

merged to form the Light Castings Division, while Russell combined with Ductile Castings to form the Heavy Castings Division.

Several factors influenced performance levels within the foundries in different ways:

Within the Light Castings Division, at Walsall the integration of work won following the closure of a competitor, Henley Foundry, early in 2004 raised output levels, which after the initial learning curve improved profitability. Walsall also enjoyed increased demand from its automotive customer base with castings for hydraulic applications. In particular the growth in demand for turbo-charged diesel engines has and will continue to provide growth opportunities. The foundry saw a significant recovery in operating profit for the year as a result.

A rather different picture emerged at Bloxwich following a decision by its largest customer, George Fischer, to relocate production of malleable fittings to Central Europe, but the new integrated structure enabled a rebalancing of capacity within the Light Castings Division so that while losses were incurred at Bloxwich in the first half of the year, the business was stabilised and made a profit in the second. Currently we are pursuing a number of significant business

Chief Executive's Review

Continued

opportunities in this division led by Adam Vicary as divisional Managing Director.

The Heavy Division saw an excellent performance from Russell Castings as turnover benefited from increased demand and the closure of other foundries. Turnover recovered to levels not seen since 2000/2001. At Ductile Castings, despite an increase in turnover, margins fell a little as under-recovery of material cost increases took its toll, resulting in a standstill year. Chris Binmore, Managing Director of Russell Castings, is now Divisional MD under whose leadership we are integrating and developing these two businesses.

For the year ahead the focus is to improve net margins and to consolidate our preparations for rationalisation as and when market conditions are favourable. We will be seeking to maximise the cross selling opportunities created by the acquisition of Russell, the potential of which is already being developed.

Engineering

Turnover in the engineering division fell slightly in the year to £8.0m (2004: £8.3m) as we sought to grow attractive niches while accepting the inevitable decline in commodity products

as customers moved to off-shore sourcing. Despite this, higher margins led to slightly increased operating profits for the division overall.

At PFP Electrical Products we concentrated on further development of "EX" certified lighting for use in hazardous areas following an expansion in the product range, and a new sales and marketing director has been appointed. Our objective now is to expand sales both for existing products and through further broadening of the range that we offer within this specialised area. PFP enjoyed increased operating profit in the year and was ahead of its budget.

A new operations director was appointed at Fred Duncombe, our door fittings and security company, to reduce cost of manufacture and to review sourcing opportunities. The new product development programme has been rigorous with exciting extensions to the EXIDOR Slimline and Security ranges of emergency exit fittings. Further new products in the Webb Lloyd range of high quality door handles will be launched in the summer. Although 2004/05 has been a year of high activity, overall sales and operating profit both declined slightly on the previous year as a result of the continued expected decline in the traditional hardware

element of the business. We seek a reversal of the overall trend this year as a result of the foundations laid down.

The Future

The year just ended has been one of consolidation following the acquisition of Russell and of planting seed corn for the future. Our aim is to capitalise on these actions by improving net margins, while investment plans include the provision of capacity for the longer term integration of foundry activities. We will also continue to seek growth through manageable and strategically driven business acquisition opportunities.

Our greatest investment remains in our people. Combining with Russell Castings has strengthened our management capability and we will continue to recruit the best possible skills to add to an already excellent team. I would like to thank all our employees for their continued support. We look forward together to further progress in the year ahead.

Barrie Williams

Chief Executive

Financial Review

The overall financial health of the group has become more robust in the year, the key factors being the improved performance of existing operations, the successful acquisition of the business and assets of Russell Castings and its subsequent improved profitability.

Results

Group turnover increased strongly in the year ended 31 March 2005, the main factor being the inclusion of the £11.2m sales of Russell Castings, acquired on 2 April 2004. Russell performed at the upper end of expectations in the year in terms of turnover, profitability and cash generation, and is confidently expected to have cumulatively recovered its full acquisition cost during 2005/06.

Existing foundry businesses also did well, increasing turnover by 20%. Roughly half of this increase related to selling price rises in response to the huge increases in both raw material and energy costs during the year. The remainder was due to increased demand, but also to a change in the mix of output, especially at our Bloxwich foundry following the loss of a major customer and the gain of additional business as a result of the demise of a competitor.

Our engineering businesses suffered a slight decline in overall turnover but growth of the core niches continued and helped to generate a small increase in margin.

Group operating profit before goodwill and exceptional costs,

relating mainly to the restructuring of the foundry divisions following the acquisition of Russell Castings, also grew strongly, a large part of the increase again coming from Russell which contributed £0.78m in the year. Existing foundries' profits were favourably affected by the increased volume of output, but this was partly offset by the time lag in achieving selling price increases to cover the higher raw material and energy costs. The engineering division more than matched last year's profit despite the reduction in turnover.

Net interest payable of £60k (2004: receivable £6k) was incurred due to the group running an overdraft during the year, partly as a result of the Russell acquisition cost.

The tax charge for the year was significantly higher than in previous years as a percentage of profit before tax. This is predominantly due to a large timing difference between Russell Castings' reported profit and its taxable profit, relating to a deficit in capital allowances compared to depreciation. This situation is unlikely to reverse given the requirement for relocation of the Russell business, and so, as we do not recognise the deferred tax asset in Russell's accounts, a higher tax charge results.

As a result of all of the above factors, earnings per share increased significantly during the year. Basic EPS increased from 9.6p to 18.0p, whilst adjusted EPS (after restating the prior year to add back amortised goodwill) rose from 9.8p

to 18.5p. Adjustments to earnings are explained below and in note 10 to the financial statements. 18,750 shares were issued at 160p in the year in relation to exercise of share options. The dilutive effect of outstanding share options is minimal.

With the proposed dividend for the year remaining unchanged at 11.85p we are beginning to return to a more acceptable level of dividend cover.

The balance sheet remains strong with net assets, net current assets and distributable reserves all increasing. Cash reduced initially due to the acquisition of Russell Castings and the additional working capital necessitated by the increases in costs and revenues, but improved through operational cash generation and ended the year at a small overdraft.

Presentation of financial statements

We have adopted a columnar presentation for the profit and loss account this year to highlight certain large operating exceptionals, the reasons for which are explained below. The definition adopted for adjusted earnings, used in the earnings per share calculation, has been modified to arrive at a figure before such exceptionals and before the effect of goodwill amortisation or release.

The acquisition of Russell gave rise to £417k of negative goodwill, the consideration paid having been less than the fair value of assets acquired. One of the reasons for this was that, in due course, further

Financial Review

Continued

significant restructuring costs will have to be incurred to relocate Russell's output to our other sites. The Russell site in Leicester was sold to a property developer by Russell's previous owners and we now occupy it on a five year lease.

The relocation is not expected to occur during the current financial year to 31 March 2006 and, under accounting rules, no provision for this future cost may be made in these accounts. The negative goodwill is, however, required to be released to the profit and loss account in accordance with accounting standards and this has resulted in a credit of £312k in the year. Positive goodwill from earlier acquisitions continues to be amortised at between £13k and £14k per year and this has also been shown in the goodwill column. Prior year operating profit before exceptionals and the corresponding adjusted earnings per share figure have been restated to add back this goodwill amortisation.

In connection with the restructuring of foundry operations, reorganisation of management structures and operational activities has been undertaken resulting in exceptional severance costs. These costs were mainly incurred within Chamberlin & Hill plc, which contains the Walsall and Bloxwich foundries. Termination costs relating to the former Finance Director, Peter Bell, are also included in the total. Further details of this are given in the Directors' Remuneration Report.

Pension schemes

We continue to account for our main defined benefit pension scheme under SSAP24 with the additional disclosures required by the FRS 17 transitional arrangements.

The reported FRS 17 deficit (see note 22 to the accounts) has increased slightly in the year from £3.05m to £3.32m (£2.00m to £2.32m net of deferred tax) despite the group making agreed "catch-up" contributions, the improvement in equity asset values in the year, and the early retirement of a number of higher paid active members. This is due mainly to the use of a lower discount rate in the calculation of the scheme's future liabilities. There is a possibility that the reported deficit will be increased further in coming years by the use of new mortality tables if life expectancies continue to increase. The Board is actively considering methods of accelerating the return of the scheme to a higher level of funding.

Foreign currency transactions

In terms of financial risk, the group has little exposure to interest rates, but does have some exposure to certain foreign currencies, primarily the Euro. Sales denominated in Euros in 2004/05 amounted to £4.4m (2003/04: £3.3m). The level of Euro trading is relatively predictable and the group currently reduces its exposure to fluctuations in rate by selling forward between 50% and 80% of the expected

Euro receipts, usually on 12 month contracts. The remainder is dealt with on shorter forward contracts or on the spot market depending on the level of Euro balances held and an assessment of the market at that time.

A retranslation of Euro balances and forward contracts at the 31 March 2005 year end exchange rate generated a small net profit.

International Financial Reporting Standards

The Company will be adopting International Financial Reporting Standards in its 2005/06 accounts, and an internal assessment has been made of the likely effects. With the exception of full provision being anticipated for the pension scheme deficit, non accrual of dividend, and various adjustments for deferred tax, the effect on reported net assets is not expected to be significant. Preparation and audit of restated numbers from 31 March 2004 onwards is in progress and further details will be given in the Interim Report for the six months to 30 September 2005.

Simon Duckworth

Finance Director

Report of the Directors

The Directors present their Annual Report and Accounts for the year ended 31 March 2005.

Principal activities

The principal activities of the Group are the production and sale of iron castings in a wide variety of sizes and metal grades, and the manufacture and sale of light engineering products, predominantly into safety and security markets.

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 5 to 7.

Financial results

The consolidated profit and loss account is shown on page 22. Group profit after taxation amounted to £1,321,000 (2004: £707,000). After dividends paid and proposed, the surplus transferred to reserves is £449,000 (2004: deficit of £164,000). Movements in reserves are shown in Note 18 to the accounts.

Dividends

The Directors recommend the payment of a final dividend of 8.0p per share payable on 29 July 2005 which, together with the interim dividend of 3.85p per share paid on 20 December 2004, totals 11.85p for the year (2004: 11.85p).

Directors

The directors of the Company during the year and their interests in the shares of the Company are shown below. The interests of directors in share options are shown in the Directors' Remuneration Report on pages 16 to 19.

All Directors held office throughout the year, except Simon Duckworth who was appointed as a director on 9 November 2004, John Eccles who retired on 30 July 2004 and Peter Bell who retired on 9 November 2004.

At the Annual General Meeting, Simon Duckworth, having been appointed in the year, retires under Article 112 of the Company's Articles of Association, 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, the non-executive Deputy Chairman, retires as a Director by rotation in accordance with Article 108 having been re-elected following his retirement on reaching the age of 70 under Article 105 last year, and, being eligible, offers himself for re-election. Non-executive directors, with the exception of the Chairman, do not have service contracts. Mr Bather has expressed his intention to retire at the end of the calendar year.

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

Directors' shareholdings

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

	31 March 2005	31 March 2004 or on appointment
John Bather	771,018	771,018
Barrie Williams	50,000	50,000
Nick Kuenssberg	35,000	25,000
Tom Brown	20,000	–
Adam Vicary	2,000	1,100
Simon Duckworth (appointed 9/11/04)	–	–
John Eccles (resigned 30/7/04)	–	220,750
Peter Bell (resigned 9/11/04)	–	18,000

Report of the Directors

Continued

John Bather had a non-beneficial interest in the share capital of the Company at 31 March 2005 of 25,000 shares (2004: 25,000). There have been no changes in the interests set out above between 1 April 2005 and 9 June 2005.

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. 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 £91,995.50. This sum represents 367,982 ordinary shares of 25 pence each, being equivalent to 5% of the issued share capital of the Company at 9 June 2005.

Both authorities are to be for the period commencing on the date of passing of the Resolution until the next Annual General Meeting. The proposed Resolution is set out as item 7 in the Notice of Meeting on pages 42 and 43.

Authority to purchase own shares

At the Annual General Meeting in 2004, the Board was given authority to purchase and cancel up to 730,000 of its own shares representing just under 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 735,000 of its own shares, again representing just under 10% of its issued share capital at 9 June 2005. The authority is sought by way of a special resolution, details of which are also included at item 8 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.

Substantial shareholders

At 9 June 2005 the Company was aware of the following interests of 3% or more of the Company's share capital, other than those of directors:

	Number of shares	% of Issued Share Capital
Rights and Issues Investment Trust PLC	1,000,000	13.59%
Mrs A. C. Thorburn	640,000	8.70%
Schroder Institutional UK Smaller Companies Fund	571,889	7.77%
Discretionary Unit Fund	500,000	6.79%
Perfecta Assets Ltd	270,000	3.67%
Mr M. E. Love & Mrs J. M. Love	243,158	3.30%

Statement of Directors' responsibilities

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

Report of the Directors

Continued

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 £2,010 (2004: £1,000). There were no political donations in the year (2004: £nil).

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 committee meetings.

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 2005 was 53 days (2004: 50 days) and that of the Company was 47 days (2004: 46 days).

Employment of disabled people

The Group supports 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, as in previous years, consist primarily of devising methods for achieving the casting of complex shaped and/or multi-cored products in the foundry businesses and the design and development of new products in our engineering businesses, principally hazardous area lighting and emergency exit hardware products. The Board views such activities as key to the future prosperity of the business.

Auditors

During the year, the Board has carried out a review of audit firms and has decided that Ernst & Young LLP should be appointed as auditors to succeed Heathcote & Coleman who have been the auditors of the Company for many years. Heathcote & Coleman have agreed to step down at the forthcoming Annual General Meeting and a resolution will be proposed to appoint Ernst & Young LLP as auditors and to authorise the directors to determine their remuneration.

By order of the Board

Simon Duckworth

Secretary

9 June 2005

Corporate Governance

Principles of good governance

The Financial Services Authority's Listing Rules incorporate the Combined Code of Corporate Governance ("the Code") applicable to companies with reporting periods commencing on or after 1 November 2003.

The Company is committed to high standards of corporate governance and has applied the principles set out in Section 1 of the Code as described below and in the Directors' Remuneration Report.

The Group complied with the provisions set out in Section 1 of the Code throughout the year except for the following matters, none of which is considered by the Board to be inappropriate given the size and nature of the Group:

- The Chief Executive, Barrie Williams, has a notice period in his service agreement which exceeds 12 months as explained in the Directors' Remuneration Report. Mr Williams is currently 61 and has a normal retirement date of his 63rd birthday. The Board does not propose to change this arrangement.
- One of the non-executive directors, John Bather, although considered independent in judgement, does not qualify as an independent director under the definition in the Combined Code on two counts; he has been a member of the Board for many years, both as a non-executive director and formerly as Managing Director of the Group, and he and various members of his family own approximately 20% of the Company's issued share capital. Mr Bather has expressed his intention to retire at the end of the calendar year.
- The Board did not have in place during the year a formal and rigorous process of evaluation of its own performance and that of its committees. Rigorous but informal evaluation has historically been carried out by the Chairman and Chief Executive, and evaluation of the performance of individual directors has also been carried out by the Remuneration Committee. The introduction of a more formal evaluation process is currently under consideration.
- There is no separate Nominations Committee to assess and recommend new directors. Instead, the Board as a whole considers these areas following initial scrutiny and recommendations by the Chief Executive and the Chairman.
- The Audit Committee, which has been established for many years and has complied with corporate governance guidelines throughout that time, did not until recently have written terms of reference. These have now been put in place.

Chamberlin & Hill corporate governance:

(a) The Board

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

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.

Corporate Governance

Continued

- (c) *Service Contracts*
See Page 17 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 16 to 19.
- (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 all private and institutional investors and welcomes their participation.

- (i) *Audit Committee*
The Audit Committee, which consists of the 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. The auditors have direct access to the Chairman of the Audit Committee and an "open-door" policy has also been adopted in relation to any concerns staff may have concerning the propriety of group operations and activities. No issues or incidents have come to light as a result of this policy.

The Audit Committee also keeps under review the cost effectiveness, independence and objectivity of the external auditors, and advises the Board on the appointment of external auditors. During the year a review of the long-standing relationship with the existing auditors, Heathcote and Coleman, was carried out and it was concluded that a change in auditors should be made. Following an assessment of a number of appropriate firms, the Audit Committee recommended that Ernst & Young LLP replace Heathcote & Coleman as auditors at the 2005 Annual General Meeting.

- (j) *Remuneration Committee*
The Remuneration Committee comprises the 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.

Corporate Governance

Continued

(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 confirms 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:

- i) that the control systems and procedures currently undertaken by the Group are adequately performed by the management; and
- ii) that the Group has not yet reached a size where a separate internal audit function would be an appropriate or cost effective method of ensuring compliance with group policies,

and therefore does not currently propose to introduce a Group internal audit function. This area will be kept under review as part of the Board's assessment of the Group's systems of internal control.

(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

Simon Duckworth
Secretary

9 June 2005

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee comprises the three Non-Executive Directors; Tom Brown (Chairman), Nick Kuenssberg and John Bather. The Committee meets when necessary, usually twice per year, and is responsible for determining the remuneration 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 company cars and health insurance.

The Company operates defined benefit and defined contribution pension schemes for the majority of its employees, including Executive Directors. No performance related bonuses nor benefits in kind are included in pensionable salary.

(b) *Annual performance related bonus scheme*

Barrie Williams and Simon Duckworth receive annual bonus payments dependent on improvement in group profit before tax, adjusted for exceptional items and goodwill. The maximum amount of bonus payable is 50% of basic salary in each case.

Adam Vicary's annual bonus for the year to 31 March 2005 was on the same basis as that for Barrie Williams and Simon Duckworth. For 2005/06 it will be dependent on the annual profit targets of the foundry divisions. The maximum amount payable is 50% of his basic salary.

(c) *Share options*

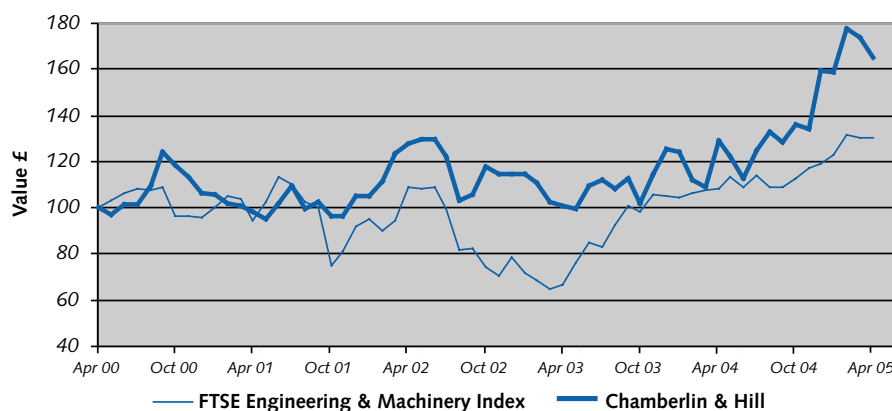
An incentive to achieve longer-term improvements in shareholder value is afforded through share options. An Approved Scheme and an Unapproved Scheme for Senior Executives were established in 1997.

Options granted are exercisable only upon the achievement of performance targets to be determined by the Committee at the time that 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

Continued

Service contracts

Barrie Williams has (and prior to his retirement during the year, Peter Bell had) a written service contract dated 25 April 1996 containing provision for termination on giving 2 years notice, or such shorter period beyond his 61st birthday as would coincide with his normal retirement date of his 63rd birthday. 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 this agreement was 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:

- Barrie Williams' contract is due to terminate on his normal retirement date of 20 September 2006. This means that the notice period is now progressively reducing
- Peter Bell resigned as a director on 9 November 2004 and retired at the end of December 2004.

All new executive directors are expected to have rolling service contracts terminable on no more than 1 year's notice. Simon Duckworth, who was appointed during the year, has such a rolling 1 year contract, as does Adam Vicary, whose contract was updated and re-signed on 31 March 2005.

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 originally dated 12 September 2003 and updated on 27 January 2005. The terms of the letter state that the term of his appointment by the Company will be three years from the date of the letter 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>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	2005	2004
					£000	£000
Executive						
Barrie Williams	129		25	50	204	144
Peter Bell (to 9 November 2004)	57		6		63	103
Simon Duckworth (from 9 Nov. 2004)	34			25	59	–
Adam Vicary	75		13	30	118	84
Non-Executive						
Tom Brown *		37			37	14
John Eccles (to 30 July 2004)		7	1		8	34
John Bather		19	2		21	20
Nick Kuenssberg *		21			21	21
Total	295	84	47	105	531	420
<i>Total 2003/2004</i>	<i>273</i>	<i>83</i>	<i>49</i>	<i>15</i>	<i>420</i>	

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

Directors' Remuneration Report

Continued

In addition to the above, Peter Bell received a compensation payment of £30,000 on retiring before the end of his notice period, and an amount of £55,000 has been charged in the accounts in respect of pension augmentation costs such that his pension entitlement will be as if he had continued to work to the end of his notice period.

Benefits include all assessable tax benefits arising from employment by the Company, and relate mainly to the provision of company cars and private medical insurance. 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 accrued during the year to three Directors under the Chamberlin & Hill Staff Pension and Life Assurance Scheme (2004: three directors) which is a defined benefit scheme:-

			Change in				Increase		
		Change in	accrued	Accrued	Transfer	Directors'	in transfer		Transfer
Age	Accrued	accrued	benefit	benefit at	value at	contribu-	value		value at
year	at	benefit	due to	31 March	value at	tions	net of		value at
end	31 March	due to	other	2005	2004	(note 4)	directors'		2005
	£000	inflation	factors	(Note 3)	£000	£000	contribu-		£000
		£000	£000	£000	£000	£000	tions		£000
N. B. Williams	61	73	2	1	76	1,039	9	113	1,161
P. Bell (note 1)	54	50	1	1	52	493	6	244	743
A. Vicary (note 2)	37	10	1	-	11	45	3	5	53

1. Peter Bell retired as a director on 9 November 2004 and from the pension scheme on 31 December 2004. His pre-commutation early retirement pension at 31 December 2004 was £36,538 per annum. The transfer value shown above is based on his full early retirement pension at that date and market conditions as at 31 March 2005.
2. Adam Vicary left the scheme on 31 October 2004. The figures above are based on benefits accrued to that date. The Company now pays a contribution equivalent to 8% of Mr Vicary's basic salary into his personal pension scheme. Contributions in the year amounted to £2,600.
3. The pension entitlement shown above is that paid annually at normal retirement age of 63, based on service to 31 March 2005 or the date of leaving the scheme, whichever is earlier.
4. Contributions shown above were paid in the year by the Directors under the terms of the scheme.
5. Transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and, with the exception of Peter Bell, 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

Continued

The Company pays contributions into a personal pension plan in respect of Simon Duckworth equivalent to 15% of his basic salary, amounting to £5,000 from the date he became a director to 31 March 2005.

Directors' options

	31 March 2004	Granted in year	Exercised in year	Lapsed or surrendered in year	31 March 2005	Option price	Exercisable between
Barrie Williams	26,250	–	–	26,250	–	160p	
	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	
	16,250	–	–	16,250	–	160p	
	25,000	–	–	25,000	–	185p	
	8,000	–	–	8,000	–	157.5p	
Simon Duckworth	–	14,575	–	–	14,575	205.5p	10.12.2007-9.12.2014
	–	35,425	–	–	35,425	205.5p	10.12.2007-9.12.2011
Adam Vicary	16,000	–	–	–	16,000	185p	16.11.2003-15.11.2010
	4,000	–	–	–	4,000	185p	16.11.2003-15.11.2007
	8,000	–	–	–	8,000	157.5p	01.08.2005-31.07.2009
	–	10,000	–	–	10,000	155.5p	04.06.2007-03.06.2011
	162,250	60,000	18,750	75,500	128,000		

* Peter Bell resigned as a director of the Company on 9 November 2004. His option over 16,250 shares lapsed at the end of the allowed exercise period on 9 September 2004. His other options were exercised or surrendered after he had resigned as a director under the rules of the relevant option schemes. The unrealised gain on exercise of his options on 25 November 2004 amounted to £8,812 at a share price of 207p.

Option grants are exercisable only upon the achievement of the performance targets explained on page 16.

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.

There have been no changes in the interests set out above between 1 April 2005 and 9 June 2005.

Gains made by Directors, other than Peter Bell, on the exercise of share options amounted to £nil (2004: £nil).

The mid-market price of the shares at 31 March 2005 was 211.5p and ranged between 155p and 230p during the year.

On behalf of the Board.

Tom Brown

Chairman, Remuneration Committee

9 June 2005

Independent Auditors' Report

to the members of Chamberlin & Hill plc

We have audited the financial statements on pages 22 to 41. 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 11 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 13 to 15 reflects the Company's compliance with the nine 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.

Independent Auditors' Report

Continued

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 2005 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

9 June 2005

Consolidated Profit and Loss Account

for the year ended 31 March 2005

	Notes	Before goodwill and other exceptional items £000	Goodwill amortisation and negative goodwill released (see note 11) £000	Other exceptional items (see note 6) £000	Total Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Turnover	2					
– continuing activities		30,788			30,788	27,311
– acquisition		11,182			11,182	–
		41,970			41,970	27,311
Cost of sales		(34,831)			(34,831)	(22,526)
Gross profit		7,139			7,139	4,785
Other operating expenses	3	(5,067)	299	(325)	(5,093)	(3,778)
Operating profit						
– continuing activities		1,290	(13)	(325)	952	1,007
– acquisition		782	312		1,094	–
Total operating profit		2,072	299	(325)	2,046	1,007
Interest (payable)/receivable	5	(60)			(60)	6
Profit on ordinary activities before taxation	6	2,012	299	(325)	1,986	1,013
Taxation	7	(656)	(106)	97	(665)	(306)
Profit on ordinary activities after taxation		1,356	193	(228)	1,321	707
Dividends	8				(872)	(871)
Transfer to/(from) reserves	18				449	(164)
Earnings per share:						
basic	10				18.0p	9.6p
adjusted	10	18.5p				9.8p
diluted	10				18.0p	9.6p
adjusted diluted	10	18.4p				9.8p
Dividend per share					11.85p	11.85p
Dividend cover					1.52	0.81

All items dealt with in arriving at the operating profit for both 2005 and 2004 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 2005

	Notes	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Intangible assets					
– goodwill	11	188		201	
– negative goodwill	11	(105)		–	
			83		201
Tangible assets	12		9,042		8,770
			9,125		8,971
Current assets					
Stocks	13	5,055		3,496	
Debtors	14	9,325		6,656	
Cash at bank and in hand		1		482	
		14,381		10,634	
Creditors: amounts falling due within one year	15	(8,819)		(5,389)	
Net current assets			5,562		5,245
Total assets less current liabilities			14,687		14,216
Provisions	17		(726)		(734)
Net assets			13,961		13,482
Capital and reserves					
Called up share capital	18		1,840		1,835
Share premium account	18		743		718
Capital redemption reserve	18		109		109
Revaluation reserve	18		575		583
Profit and loss account	18		10,694		10,237
Equity shareholders' funds			13,961		13,482

Tom Brown }
Simon Duckworth } Directors

The Accounts were approved by the Board of Directors on 9 June 2005

Parent Company Balance Sheet

at 31 March 2005

	Notes	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		4,661		5,012
Investments	20		7,159		7,159
			11,820		12,171
Current assets					
Stocks	13	1,319		1,038	
Debtors	14	5,951		4,338	
Cash at bank and in hand		1		1	
		7,271		5,377	
Creditors: amounts falling due within one year	15	(6,838)		(4,177)	
Net current assets			433		1,200
Total assets less current liabilities			12,253		13,371
Creditors: amounts falling due after more than one year	16		(66)		(120)
Provisions	17		(574)		(594)
Net assets			11,613		12,657
Capital and reserves					
Called up share capital	18		1,840		1,835
Share premium account	18		743		718
Capital redemption reserve	18		109		109
Revaluation reserve	18		575		583
Profit and loss account	18		8,346		9,412
Equity shareholders' funds			11,613		12,657

Tom Brown }
Simon Duckworth } Directors

The Accounts were approved by the Board of Directors on 9 June 2005

Consolidated Cash Flow Statement

for the year ended 31 March 2005

	Notes	2005		2004	
		£000	£000	£000	£000
Net cash inflow from operating activities			2,942		2,001
Return on investments and servicing of finance					
Interest paid		(70)		(8)	
Interest received		10		14	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(60)		6
Taxation					
UK Corporation Tax paid			(278)		(247)
Acquisition of business and assets of Russell Castings			(1,116)		–
Capital expenditure and financial investment					
Purchase of fixed assets	12	(1,248)		(1,147)	
Disposal of fixed assets		76		49	
Net cash outflow from capital expenditure and financial investment			(1,172)		(1,098)
Equity dividends paid			(870)		(871)
Net cash flow before financing			(554)		(209)
Financing					
Issue of shares (including premium)		30		–	
Net cash inflow from financing			30		–
Decrease in cash and bank balances	25		(524)		(209)
Reconciliation of operating profit to net cashflow from operating activities					
Operating profit			2,046		1,007
Depreciation	12		1,654		1,377
Amortisation	11		(299)		14
Profit on disposal of fixed assets			(1)		(4)
Government grants credited			–		(3)
(Increase)/Decrease in stocks			(674)		(214)
(Increase)/Decrease in debtors			(950)		(1,033)
Increase/(Decrease) in creditors			1,116		857
Increase/(Decrease) in provisions			50		–
			2,942		2,001

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 each year. 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

(continued)

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 and forward currency contracts for hedging purposes in line with its risk management policy and no other trading in financial instruments is undertaken. Forward contracts and outstanding currency balances are restated at the market rate ruling at the year end.

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. Negative goodwill is identified as a negative intangible fixed asset on the balance sheet. It is allocated to fixed assets and stocks acquired, and is released to the Profit and Loss Account as the value of those assets is realised, either by trading in the case of stock, or by depreciation in the case of fixed assets.

Research and Development

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

Notes to the Accounts

(continued)

2 SEGMENTAL ANALYSIS

(i) By class of business

	<i>Ironfounding</i>		<i>Light Engineering</i>		<i>Total</i>	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Turnover						
Total sales	34,040	19,075	7,969	8,315	42,009	27,390
Intra-segment sales	(39)	(79)	–	–	(39)	(79)
Sales to third parties	34,001	18,996	7,969	8,315	41,970	27,311
Profit						
Trading profit	1,821	833	694	684	2,515	1,517
Common costs					(443)	(496)
					2,072	1,021
Goodwill and exceptional items					(26)	(14)
Net interest (payable)/receivable					(60)	6
Group profit before taxation					1,986	1,013
Net assets						
Segmental net assets	11,489	10,005	4,212	4,271	15,701	14,276
Unallocated net liabilities					(1,740)	(794)
Total net assets					13,961	13,482

Unallocated net liabilities comprise cash/overdraft, taxation, dividend and deferred tax balances.

(ii) By geographical destination

	2005 £000	2004 £000
Turnover		
United Kingdom	35,052	22,574
Europe	5,469	3,797
Other countries	1,449	940
	41,970	27,311

3 OTHER OPERATING EXPENSES

	2005 £000	2004 £000
Distribution costs	1,290	734
Administration and selling expenses	3,777	3,030
	5,067	3,764
Release of negative goodwill re Russell Castings	(312)	–
Amortisation of goodwill	13	14
Restructuring and severance costs	325	–
	5,093	3,778

Notes to the Accounts

(continued)

4 STAFF NUMBERS AND COSTS

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

	2005	2004
Management and administration	97	77
Production	476	355
Total employees	<u>573</u>	<u>432</u>

The aggregate employment costs of these employees excluding severance and related costs of £325,000 (2004: £23,000) were as follows:-

	2005 £000	2004 £000
Wages and salaries	13,283	8,672
Social security costs	1,260	822
Other pension costs (note 22)	621	454
	<u>15,164</u>	<u>9,948</u>

Details of Directors' remuneration, share options and pension entitlements are included within the Directors' Remuneration Report on pages 16 to 19.

5 INTEREST (PAYABLE)/RECEIVABLE

	2005 £000	2004 £000
Bank interest receivable	10	14
Bank overdraft interest payable	(70)	(8)
	<u>(60)</u>	<u>6</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £000	2004 £000
This is stated after charging/(crediting):		
Profit on disposal of fixed assets	(1)	(4)
Government grants	-	(3)
Depreciation of owned assets	1,654	1,377
Amortisation of goodwill	13	14
Release of negative goodwill	(312)	-
Exceptional severance payments and related costs	325	-
Other severance payments and related costs	-	23
Auditors' remuneration (Company £14,000 (2004: £12,000))	40	31
Research and Development expenditure	108	120
Rentals under operating leases:		
Hire of plant and equipment	28	7
Other	96	96

In addition to the above, the auditors received £61,000 (2004: £30,000) in the year for other services, which included £38,000 in relation to the acquisition of Russell Castings.

Severance payments and related costs in the year relate predominantly to restructuring of foundry operations. Compensation for loss of office and augmentation costs of a former director, Peter Bell are also included, amounting to £85,000 as described in the Directors' Remuneration Report. The total amount has been presented as a separate column on the face of the profit and loss account.

Notes to the Accounts

(continued)

7 TAXATION

	2005 £000	2004 £000
<i>Current tax:</i>		
U.K. Corporation tax at 30% (2004: 30%) based on taxable profit for the year	727	346
Prior year adjustment	(4)	(12)
	<u>723</u>	<u>334</u>
<i>Deferred Taxation:</i>		
Movement in the year (note 17)	(58)	(28)
	<u>665</u>	<u>306</u>
Reconciliation of current tax charge		
Profit on ordinary activities before tax	1,986	1,013
Corporation tax at standard rate of 30% (2004: 30%) on profit before tax	596	304
<i>Adjusted by the effects of:-</i>		
Expenses not deductible for tax purposes	16	5
Depreciation in excess of capital allowances	58	28
Deferred tax asset not provided	50	–
Other movements	3	(3)
	<u>723</u>	<u>334</u>

8 DIVIDENDS

	2005 £000	2004 £000
<i>Paid:</i>		
Interim dividend of 3.85p per share (2004: 3.85p)	284	284
<i>Proposed:</i>		
Final dividend of 8.00p per share (2004: 8.00p)	588	587
	<u>872</u>	<u>871</u>

9 TRANSFER FROM RESERVES

The loss dealt with in the accounts of the parent company was £202,000 (2004: £170,000). After dividends, the deficit transferred from reserves was £1,074,000 (2004: £1,041,000).

10 EARNINGS PER SHARE

The calculation of basic 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. Adjusted earnings per share, excluding exceptional items and goodwill, as analysed below, has also been disclosed as the Directors believe this allows a better assessment of the underlying trading performance of the Group. Goodwill did not form part of the calculation of adjusted profit in 2004 and prior years as it was not material to the profit figure in those years. 2004 figures below, and prior years' figures in the five year trading summary on page 44 have been restated on a consistent basis to the 2005 adjustment.

	2005 £000	2004 £000
Earnings for basic earnings per share	1,321	707
Goodwill (release)/amortisation	(299)	14
Taxation effect of goodwill (release)/amortisation	106	–
Exceptional item	325	–
Taxation effect of exceptional item	(97)	–
Earnings for adjusted earnings per share	<u>1,356</u>	<u>721</u>

Notes to the Accounts

(continued)

10 EARNINGS PER SHARE (continued)

	2005 '000	2004 '000
Weighted average number of ordinary shares	7,347	7,341
Adjustment to reflect shares under options	7	–
Weighted average number of ordinary shares – fully diluted	7,354	7,341

11 INTANGIBLE FIXED ASSETS - GOODWILL

Group	Positive goodwill £000	Negative goodwill £000	Total £000
<i>Cost</i>			
At 1 April 2004	271	–	271
On acquisition of Russell Castings assets	–	(417)	(417)
At 31 March 2005	271	(417)	(146)
<i>Amortisation</i>			
At 1 April 2004	70	–	70
Charge/(credit) for year	13	(312)	(299)
At 31 March 2005	83	(312)	(229)
<i>Net Book Value</i>			
At 31 March 2005	188	(105)	83
At 31 March 2004	201	–	201

12 TANGIBLE FIXED ASSETS

Group	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>				
At 1 April 2004	4,928	22,303	559	27,790
Acquisition of Russell Castings assets	–	753	–	753
Additions	375	684	189	1,248
Disposals	–	(748)	(210)	(958)
At 31 March 2005	5,303	22,992	538	28,833
At cost	3,961	22,992	538	27,491
At valuation 1980	1,342	–	–	1,342
	5,303	22,992	538	28,833
<i>Depreciation</i>				
At 1 April 2004	1,200	17,511	309	19,020
Charge for year	101	1,435	118	1,654
Disposals	–	(731)	(152)	(883)
At 31 March 2005	1,301	18,215	275	19,791
<i>Net book value</i>				
At 31 March 2005	4,002	4,777	263	9,042
At 31 March 2004	3,728	4,792	250	8,770

Notes to the Accounts

(continued)

12 TANGIBLE FIXED ASSETS (continued)

Net book value of land and buildings comprises:-	2005	2004
	£000	£000
Freehold	3,950	3,663
Short leasehold	52	65
	4,002	3,728

Company	<i>Land and buildings</i> £000	<i>Plant and machinery</i> £000	<i>Motor Vehicles</i> £000	<i>Total</i> £000
<i>Cost or valuation</i>				
At 1 April 2004	2,512	14,689	327	17,528
Additions	–	439	64	503
Disposals	–	(731)	(128)	(859)
At 31 March 2005	2,512	14,397	263	17,172
At cost	1,170	14,397	263	15,830
At valuation 1980	1,342	–	–	1,342
	2,512	14,397	263	17,172
<i>Depreciation</i>				
At 1 April 2004	795	11,560	161	12,516
Charge for year	44	696	65	805
Disposals		(720)	(90)	(810)
At 31 March 2005	839	11,536	136	12,511
<i>Net book value</i>				
At 31 March 2005	1,673	2,861	127	4,661
At 31 March 2004	1,717	3,129	166	5,012

	<i>Group</i> £000	<i>Company</i> £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:

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Cost	4,606	4,231	1,775	1,775
Depreciation	(1,192)	(1,099)	(757)	(721)
Net book value	3,414	3,132	1,018	1,054

Notes to the Accounts

(continued)

13 STOCKS

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Raw materials	1,625	1,224	237	198
Work in progress	1,075	637	223	204
Finished goods	2,355	1,635	859	636
	5,055	3,496	1,319	1,038

The difference between purchase price or production cost and replacement cost is not material.

14 DEBTORS

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade Debtors	8,922	6,359	3,834	3,468
Amounts due from subsidiary undertakings	–	–	1,841	724
Other debtors	22	17	–	1
Prepayments	381	280	276	145
	9,325	6,656	5,951	4,338

15 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year				
Bank overdraft (repayable on demand)	43	–	2,026	262
Trade creditors	5,141	3,235	2,037	1,679
Amounts owed to subsidiary undertakings	–	–	1,264	849
Corporation tax	638	194	1	44
Other taxation and social security	1,045	546	425	248
Other creditors	284	148	121	108
Accruals	1,080	679	376	400
Proposed dividend	588	587	588	587
	8,819	5,389	6,838	4,177

16 CREDITORS

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due after more than one year				
Amounts owed to subsidiary undertakings	–	–	66	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

(continued)

17 PROVISION FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Deferred taxation	676	734	524	594
SSAP24 pension provision	50	–	50	–
	726	734	574	594

Deferred taxation

Movement in Deferred Taxation during the year

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Balance brought forward	734	762	594	647
Credit for the year	(58)	(28)	(70)	(53)
	676	734	524	594

	2005		2004	
	Amount not provided £000	Amount provided £000	Amount not provided £000	Amount provided £000
Group				
Timing differences re capital allowances	(50)	676	–	734
Revaluation of property	–	–	–	–
Capital gains rolled over	475	–	475	–
	425	676	475	734
Company				
Timing differences re capital allowances	–	524	–	594
Revaluation of property	–	–	–	–
Capital gains rolled over	392	–	392	–
	392	524	392	594

Certain timing differences relating to capital allowances at Russell Castings Limited would give rise to a deferred tax asset, which has not been recognised as it is unlikely that the differences will reverse.

Revaluations of property are not expected to give rise to future taxable gains due to indexation allowances.

No provision has been made for deferred tax on the surplus on rolled-over gains, as it is anticipated that such potential liabilities will be deferred indefinitely.

18 SHARE CAPITAL AND RESERVES

	2005 £000	2004 £000
<i>Authorised Share Capital</i>		
9,000,000 (2004: 9,000,000) Ordinary shares of 25p	2,250	2,250
<i>Allotted, called up and fully paid</i>		
7,359,658 (2004: 7,340,908) Ordinary shares of 25p	1,840	1,835

During the year 18,750 shares were issued to satisfy the exercise of options under the executive share option scheme. In the previous year no shares were issued. 82,500 share options lapsed (2004: nil), 60,000 options were granted (2004: nil) and 49,000 options were surrendered. (2004: nil).

Notes to the Accounts

(continued)

18 SHARE CAPITAL AND RESERVES (continued)

Options outstanding at 31 March 2005 were:

No. of shares	Price payable	Exercisable between
36,000	185p	16.11.2003 - 15.11.2010
34,000	185p	16.11.2003 - 15.11.2007
12,000	157.5p	01.08.2005 - 30.07.2009
18,000	157.5p	01.08.2005 - 31.07.2012
10,000	155.5p	03.06.2007 - 02.06.2011
14,575	205.5p	10.12.2007 - 09.12.2014
35,425	205.5p	10.12.2007 - 09.12.2011
160,000		

Movements in the year comprise:

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
Group					
At 1 April 2004	1,835	109	718	583	10,237
Shares issued and allotted	5		25		
Profit for the year					1,321
Dividend					(872)
Transfer between reserves				(8)	8
At 31 March 2005	1,840	109	743	575	10,694
Company					
At 1 April 2004	1,835	109	718	583	9,412
Shares issued and allotted	5		25		
Loss for the year					(202)
Dividend					(872)
Transfer between reserves				(8)	8
At 31 March 2005	1,840	109	743	575	8,346

The cumulative amount of goodwill previously written off against reserves is £3,663,000 (2004: £3,663,000).

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Profit for the year	1,321	707
Dividends	(872)	(871)
Issue of share capital	30	-
Net movement in the year	479	(164)
Shareholders' funds at 31 March 2004	13,482	13,646
Shareholders' funds at 31 March 2005	13,961	13,482

Notes to the Accounts

(continued)

20	FIXED ASSET INVESTMENTS	2005	2004
		£000	£000
	<i>Shares in subsidiary undertakings</i>		
	At cost less amounts written off	7,159	7,159
	<i>Wholly owned operating subsidiaries</i>		
	<i>Principal activity</i>		
	Fred Duncombe Ltd		Manufacture and sale of architectural hardware
	Ductile Castings Ltd		Manufacture and sale of large engineering castings
	PFP Electrical Products Ltd		Manufacture and sale of lighting, switchgear and electrical installation products
	Russell Castings Ltd*		Manufacture and sale of 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.

21 ACQUISITION OF THE BUSINESS AND ASSETS OF RUSSELL CASTINGS

On 2 April 2004, the Group, through its subsidiary company, Platt Malleable Castings Limited acquired the business and certain assets of Russell Castings, a foundry business based in Leicester. Platt Malleable Castings Limited then changed its name to Russell Castings Limited.

Details of assets acquired and consideration paid are given below:

	Book value £000	Fair value adjustment £000	Fair value of assets acquired £000
Tangible fixed assets (see note (a) below)	1,275	(522)	753
Stocks (see note (b) below)	1,075	(190)	885
Debtors	1,718		1,718
Cash	1		1
Creditors	(1,823)		(1,823)
	2,246	(712)	1,534
Negative goodwill			(417)
			1,117
Consideration paid:			
– initial cash payment			500
– acquisition expenses			146
– deferred payment (paid 1 October 2004)			471
			1,117

The fair values, which may be reviewed in accordance with FRS 7 as further information becomes available, represent the directors' current estimate of the net assets acquired.

- (a) Tangible fixed assets were recalculated to reduce their fair value to an amount equal to their normal depreciation rate times their estimated remaining useful lives.
- (b) Stocks were revalued on a basis consistent with Company policy.

Negative goodwill of £312,000 has been released to the profit and loss account during the year.

Details of prior year trading results have not been given as Russell Castings formed part of the Elliott Group of companies and the extraction of consistent prior year comparatives has not been practical.

Russell Casting contributed £1,512,000 to the Group's net operating cash flows and utilised £91,000 for capital expenditure during the year.

Notes to the Accounts

(continued)

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 2005 was £621,000 (2004: £454,000). The defined benefit scheme is closed to new members.

The major scheme is the staff scheme, which is a defined benefits scheme providing benefits based on final salary. Contributions for the scheme are charged to the profit and loss account so as to spread the cost of pensions over members' working lives with the Group. The pension cost charged to the profit and loss account is calculated by a qualified actuary and is determined as a substantially level percentage of the current and expected future pensionable payroll. The pension cost has been projected from the results of an actuarial valuation carried out as at 1 April 2004 using the projected unit method. The market value of the schemes assets on that date was £9,718,000 and the value of these assets represented 76% of the benefits that had accrued to members allowing for expected future increases in salaries (which from 1 April 2002 are limited to 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 3.95% per annum and the statutory "LPI" rate of increase to pensions in payment (other than GMPs) by 2.95% per annum.

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

SSAP24 AND FRS17

The financial statements have, as last year, been prepared in accordance with SSAP24 with the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17.

An actuarial valuation of the defined benefit scheme was carried out on 1 April 2004 and has been updated to 31 March 2005. 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 2005	At 31 March 2004	At 31 March 2003
Rate of increase in salaries	2.9%	2.9%	2.6%
Rate of increase of pensions in payment- post 1997 accrual only	2.9%	2.9%	2.6%
Discount rate	5.4%	5.5%	5.4%
Inflation assumption	2.9%	2.9%	2.6%

In 2004/05 members' contributions increased from 7% to 8% and from 1 April 2004 the future accrual rate reduced from 1/60th to 1/80th. The Company contributed to the Scheme at an average rate of 17.1% in the year to 31 March 2005. Due to the closure of the scheme to new members and the resulting ongoing reduction in members' pensionable salaries, the Company has agreed to contribute at the rate of 9.1% of members' pensionable salaries going forward to cover members' benefits accruing, plus a past service "catch-up" contribution of £23,900 per month designed to return the scheme to a fully funded position over a 20 year period.

Notes to the Accounts

(continued)

22 PENSION ARRANGEMENTS (continued)

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

	As at 31 March 2005		As at 31 March 2004		As at 31 March 2003	
	Rate of return %	Asset Value £000	Rate of return %	Asset Value £000	Rate of Return %	Assets Value £000
Equities	7.25	6,945	7.25	6,603	7.00	4,977
Gilts	4.25	1,354	4.25	1,200	4.00	1,093
Bonds	5.00	1,952	5.00	1,676	4.90	1,672
Cash	4.00	83	4.00	52	3.50	198
Total market value of assets		10,334		9,531		7,940
Actuarial value of liability		(13,654)		(12,582)		(12,180)
Recoverable deficit in scheme		(3,320)		(3,051)		(4,240)
Related deferred tax asset		996		1,050		1,272
Net pension liability		(2,324)		(2,001)		(2,968)

* 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 2005 is as follows:

	31 March 2005 £000	31 March 2004 £000	31 March 2003 £000
Net assets excluding pension liability	13,961	13,482	13,646
Net pension liability	(2,324)	(2,001)	(2,968)
Net assets including pension liability	11,637	11,481	10,678
Profit and loss account excluding pension reserve	10,694	10,237	10,393
Pension reserve	(2,324)	(2,001)	(2,968)
Profit and loss account including pension reserve	8,370	8,236	7,425

Analysis of the amount chargeable to operating profit

	Year to 31 March 2005 £000	Year to 31 March 2004 £000
Current service cost	240	334
Past service cost	65	–
Total operating charge	305	334

Analysis of net return on pension scheme

	Year to 31 March 2005 £000	Year to 31 March 2004 £000
Expected return on pension scheme assets	581	474
Interest on pension liabilities	(692)	(657)
Net return	(111)	(183)

Notes to the Accounts

(continued)

22 PENSION ARRANGEMENTS (continued)

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

	Year to 31 March 2005 £000	Year to 31 March 2004 £000
Actual return less expected return on assets	210	1,088
Experience gain/(loss) on liabilities	(145)	456
Changes in assumptions	(247)	(153)
Actuarial (loss)/gain to be recognised in STRGL	<u>(182)</u>	<u>1,391</u>

Movement in deficit during the year

	Year to 31 March 2005 £000	Year to 31 March 2004 £000
Deficit in scheme at beginning of year	(3,051)	(4,240)
<i>Movement in year:</i>		
Current service cost	(240)	(334)
Contributions	329	315
Past service costs	(65)	–
Net return on assets	(111)	(183)
Actuarial loss	(182)	1,391
Deficit in scheme at end of year	<u>(3,320)</u>	<u>(3,051)</u>

History of experienced gains and losses

	Year to 31 March 2005	Year to 31 March 2004	Year to 31 March 2003
Difference between expected and actual return on scheme assets:			
amounts (£000)	210	1,088	(2,307)
percentage of scheme assets	2%	11%	–29%
Experience gain/(loss) on scheme liabilities:			
amounts (£000)	(145)	456	–
percentage of scheme liabilities	–1%	3%	–
Total amount to be recognised in statement of total recognised gains and losses:			
amounts (£000)	(182)	1,391	(3,074)
percentage of scheme liabilities	–1%	11%	–25%

Notes to the Accounts

(continued)

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 2005 amounted to £134,000 (2004: £nil).

24 FINANCIAL COMMITMENTS

	<i>Group</i>		<i>Company</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Capital expenditure				
Contracted for but not provided in the accounts	–	46	–	–

Lease commitments

The Group had annual commitments under operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2005 £000	2004 £000	2005 £000	2004 £000
Leases terminating:				
within one year	–	–	–	1
between two and five years	296	–	9	–
after more than five years	–	96	–	–

The £200,000 increase in commitments relating to land and buildings relates to the lease to occupy the Russell Castings premises in Leicester. This runs for five years from 1 April 2005 but was signed before the year end. This commitment resides within Chamberlin & Hill plc.

25 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2005 £000	2004 £000
(Decrease)/increase in cash in the year	(524)	(210)
Change in net funds arising from cashflows	(524)	(210)
Net funds at 31 March 2004	482	692
Net (debt)/funds at 31 March 2005	(42)	482

Notes to the Accounts

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26 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group has no material interest rate exposure.

The Group's functional currency is sterling. At the year end it had net monetary assets denominated in Euros of £1,422,000 (2004: £854,000) translated at the year end rate. During the year the Group has used forward contracts to reduce its exposure to currency exchange risk, selling forward approximately 50% of anticipated annual Euro revenues on 12 month forward currency contracts. The balance of Euro receipts are dealt with by selling on shorter forward currency contracts or on the spot market depending on the level of Euros held and an assessment of the currency markets at that time.

12 month forward currency contracts for the sale of Euros, outstanding at the year end have been retranslated at year end rates as follows:

Maturity date	Value (Euros '000)	Contract rate	Value £'000	Exchange rate at year end	Restated £'000	Profit/(loss) £'000
6/5/05	750	1.4561	515	1.4528	516	(1)
25/7/05	750	1.4641	512	1.4528	516	(4)
17/10/05	750	1.4242	527	1.4528	516	11
6/1/06	750	1.3860	541	1.4528	516	25
	<u>3,000</u>		<u>2,095</u>		<u>2,064</u>	<u>31</u>

27 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Friday 29 July 2005 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 2005. (Resolution 1)
2. To declare a Final Dividend for the year ended 31 March 2005 of 8.0 pence per Ordinary Share to be paid to members whose names appear on the register of members at the close of business on 8 July 2005. (Resolution 2)
3. To re-elect as a Director John Bather who is retiring by rotation pursuant to Article 108 of the Company's Articles of Association. (Resolution 3)
4. To re-appoint as a Director Simon Duckworth who is retiring pursuant to Article 112 of the Company's Articles of Association having been appointed by the directors during the year. (Resolution 4)
5. To approve the Directors' Remuneration Report for the year ended 31 March 2005. (Resolution 5)
6. To appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. Ernst & Young LLP will succeed Heathcote & Coleman who have been the auditors to the Company for many years. (Resolution 6)

Special business

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

That:

- 7.1 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 £410,085.50 provided that such authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2006, 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
- 7.2 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 £91,995.50; and
 - (ii) such authority to expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 October 2006, 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 7)

Notice of Meeting

8. 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 735,000;
- (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 2006 (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 8)

By order of the Board

Simon Duckworth
Company Secretary
9 June 2005

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 3BR, 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 29 July 2005 to shareholders on the register as at the close of business on 8 July 2005.

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 7 and 8 is set out in the Report of the Directors on pages 10 to 12.

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

Financial History

	2005 £000	2004 £000	2003 £000	2002 £000	2001 £000
Turnover	41,970	27,311	27,027	30,548	32,521
Operating Profit before goodwill and exceptional items	2,072	1,021	1,387	2,559	2,979
Goodwill released/(amortised)	299	(14)	(14)	(14)	(14)
Exceptional items	(325)	–	(451)	–	(340)
Interest (payable)/receivable	(60)	6	(14)	(19)	(32)
Profit before taxation	1,986	1,013	908	2,526	2,593
Taxation	(665)	(306)	(250)	(778)	(783)
Profit after taxation	1,321	707	658	1,748	1,810
Dividends	(872)	(871)	(871)	(866)	(836)
Transfer to reserves	449	(164)	(213)	882	974
Operating profit as a percentage of turnover	4.9%	3.7%	5.1%	8.4%	9.2%
Effective rate of corporation tax	33.5%	30.2%	27.5%	30.8%	30.2%
Basic earnings per share (pence)	18.0	9.6	9.0	24.0	24.9
Adjusted earnings per share (pence) (excluding exceptional item)	18.5	9.8	13.5	24.2	29.1
Dividend per share (pence)	11.85	11.85	11.85	11.85	11.50
	£000	£000	£000	£000	£000
Funds Employed	13,961	13,482	13,646	13,829	12,867
Percentage of operating profits to funds employed	14.8%	7.6%	10.2%	18.5%	23.2%

Manufacturing Units

 **Chamberlin + hill**

Foundries

Walsall Foundry

Bloxwich Foundry

Ductile Castings Ltd



Preferred supplier of castings in:

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



Principal activities and markets

WALSALL FOUNDRY

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

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

BLOXWICH FOUNDRY

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

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

DUCTILE CASTINGS LTD

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

Castings from 300kg to 5 tonnes in grey, ductile, alloyed irons and steel for a range of applications including power 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

Chuckery Foundry, Walsall, West Midlands WS1 2DU

Tel: 01922 721411 Fax: 01922 638370

website: www.chamberlin.co.uk

email: plc@chamberlin.co.uk