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**CASTINGS P.L.C.**  
**ANNUAL REPORT**  
for the year ended 31 March 2013

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# Directors

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## Executive Directors

### Brian Cooke

Chairman

Aged 73, he joined the company in 1960 after attending foundry college and serving an engineering apprenticeship. He worked in all departments of the company and was appointed a director in 1966, becoming joint managing director in 1968 and managing director in 1970. He ceased to be chief executive in 2007. He has been chairman since 1983.

### David Gawthorpe

Chief Executive Officer

Aged 51, he joined the company in 1984 and became local technical director at Brownhills in 1994. He was appointed a director in 2003 and became chief executive in April 2007 and is the director with environmental and human resource responsibility.

### Steve Mant

Finance Director

Aged 37, he joined the company in June 2010 and was appointed company secretary and finance director on 1 November 2010. Prior to joining the company he had been working for BDO LLP specialising in manufacturing, international and listed companies.

### Mark Lewis

Managing Director – CNC Speedwell Ltd

Aged 49 he joined CNC Speedwell in 1990 becoming their managing director in 1996. He has overseen the machining requirements for the group and was appointed a director in 2003.

### Graham Cooper

Managing Director – William Lee Ltd

Aged 59, he joined William Lee in 1977 becoming operations director there in 2003 and their managing director in 2005, when he was appointed to the main board.

### Adam Vicary

Managing Director – Brownhills

Aged 45, he joined the company in September 2010 as joint managing director and was appointed to the main board in April 2012.

## Non-Executive Directors

### Gerard Wainwright

Non-executive Director

Aged 63, he was appointed a director in 1998 and is the senior independent director. He has been chief executive of a wide range of manufacturing companies for over 25 years together with international experience. He is chairman of the remuneration committee and a member of the audit and nomination committees.

### Paul King

Non-executive Director

Aged 76, he was appointed a director in 1998 and is an independent director. He retired from practice as a partner with Coopers & Lybrand and has been a member of the boards of a number of companies. He is chairman of the audit committee and is also a member of the remuneration and nomination committees.

### Alec Jones

Non-executive Director

Aged 61, he was appointed a director in April 2012 and is an independent director. He was a partner in PricewaterhouseCoopers for 27 years until his retirement in 2010. He is a member of the audit, remuneration and nomination committees.

# Chairman's Statement

## Statement of full year results

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The turnover of the group reduced to £122.2 million from last year's record of £126.3 million representing the second highest turnover of the group. Profits of £19.2 million, compared to £23.1 million last year, are considered satisfactory given the economic situation in Europe.

### Foundry Production

The year was affected by significant reductions in customer schedules, but the situation improved considerably during the final months of the year, benefiting the profitability during that period.

Limited capital investments of £1.1 million have been made at the foundries during the year to improve productivity and the working environment.

We have some 20% spare capacity and continue to maintain efforts to fill this with more work from new and existing customers.

### CNC Speedwell

CNC continued to grow by enhancing contracts within the automotive sector. With the improvement in the heavy truck market since the year end, the company is now enjoying increased activity across all areas of the business.

Capital investments during the year were £5.75 million, increasing capacity for new products and updating the quality department with new equipment to improve our service to our expanding customer base.

### Dividend

I am pleased to report that the directors recommend an increase in the final dividend to 9.36 pence per share. This, together with an increased interim dividend, gives a total for the year of 12.34 pence per share.

### Outlook

At the present time business has improved and it is expected to remain busy for the foreseeable future. It is very difficult, if not impossible, to forecast long-term demand because of the continuing European, and to a lesser extent world, economic problems.

Truck demand as reported by the industry is increasing, however there is general market concern that this may be driven by new European emission legislation being introduced at the end of 2013 and there may then be a short-term reduction in early 2014.

The company is in a good financial state and continues to be able to make timely investment decisions.

In conclusion, our thanks go to all our employees who contribute to the continued success of the company and also being understanding of the variable demands from our customers which require a considerable amount of flexibility in hours of work.

**B. J. COOKE**

Chairman

12 June 2013

# Business and Financial Review

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Revenue has decreased by 3% to £122.2 million of which 65% (2012 – 66%) was exported

The despatch weight of castings to third party customers was 52,700 tonnes, being a fall of 4,500 tonnes from the previous year

Revenue from the machinist operation, CNC Speedwell, increased by 32% during the year

During the year we have received £0.15 million (2012 – £0.69 million) from the administrators of the UK subsidiaries of the Icelandic banks. This brings the total sums received to-date, of the original balance of £5.7 million, to £2.90 million which is £1.04 million in excess of the original estimate of recoverable amounts. Given the uncertainty over the quantum and timing of any possible further receipts, no allowance has been made for future recoverable amounts.

The level of finance income again reflects the prevailing low interest rates during the year, although the improved return has been achieved by increasing the length of term deposits.

Operationally the group generated £17.8 million in cash (after tax payments) which, after investment of £6.8 million in property, plant and equipment and £5.2 million in dividend payments, resulted in an increase in cash of £5.8 million in the year. This results in a total cash and deposits position at the balance sheet date of £23.6 million. The long-term deposit of £5 million is disclosed separately under current assets in the balance sheet. Therefore the cash and cash equivalents figure at the year end is £18.7 million, an increase of £0.9 million in the year.

The pension valuation showed a slight reduction in the surplus, on an IAS 19 basis, to £6.7 million. This continues not to be recognised on the balance sheet due to the restriction of recognition of assets.

Overall the group returned a profit before taxation of £19.2 million (2012 – £23.0 million) for the year. This includes a £0.1 million credit in respect of the defined benefit pension schemes (as set out in note 6) in accordance with IAS 19 and £0.15 million credit for Icelandic bank receipts.

The directors are recommending a final dividend that will be paid in August which, with the interim dividend paid in January, will result in the return of £5.4 million to shareholders.

# Directors' Report

## Annual Report and the Audited Accounts for the year ended 31 March 2013.

### Trading activities

Castings PLC supplies spheroidal graphite iron castings to a variety of manufacturing industries from its highly mechanised foundries at Brownhills. William Lee Limited supplies spheroidal graphite iron castings from Dronfield, Sheffield and CNC Speedwell Limited is a machining operation. There were no significant changes in the principal activities of these companies during the year.

The progress of these companies during the year is recorded in the accounts, the Chairman's Statement on page 2 and the Business and Financial Review on page 3. A Review of Principal Risks and Uncertainties is given on pages 8 and 9.

### Dividends

An interim dividend of 2.98 pence per share was paid in January 2013. The directors now recommend a final dividend of 9.36 pence per share payable on 16 August 2013 to shareholders on the register on 12 July 2013, making a total distribution of 12.34 pence for the year.

### Share capital

The company's capital consists of 43,632,068 (2012 – 43,632,068) ordinary shares of 10 pence each with voting rights. There are no restrictions on voting rights.

There are no restrictions on the transfer of shares in the company and in particular there are no limitations on the holding of shares and no requirements to obtain the approval of the company, or of other shareholders, for a transfer of shares.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered

holder of their shares rather than to the company's registrar, Capita Registrars, or to the company directly.

Subject to legislation and to any resolution of the company in general meeting, all unissued shares are at the disposal of the board who may allot, grant options over or otherwise dispose of them to such persons, on such terms and at such times as it may think fit.

The company is authorised to purchase its own shares.

### Directors

The directors of the company are listed on page 1 and their interests in the ordinary share capital at the beginning and end of the year were:

	Beneficial Holdings	
	2013	2012
B J Cooke	1,956,636	1,956,636
G B Wainwright	59,261	59,261
D J Gawthorpe	29,379	29,379
A Vicary	14,000	12,000
G Cooper	8,000	8,000
M A Lewis	3,025	3,025
S J Mant	1,000	1,000
C P King	—	—
A N Jones	—	—

There have been no changes in the shareholdings of directors since the year end.

The following directors retire under the provisions of the Articles of Association and, being eligible, offer themselves for re-election:

- B J Cooke – by rotation
- M A Lewis – by rotation
- C P King – by rotation

The unexpired period of the contracts of service for B J Cooke, S J Mant, D J Gawthorpe, M A Lewis, G Cooper and A Vicary is one year. Mr A N Jones, G B Wainwright and C P King do not have contracts of service.

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were in force during the year and exist at the date of this report.

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The number of directors is not subject to any maximum but shall not be less than two. The company may by ordinary resolution elect any person to be director and the board has the power to appoint any person to be director, but any director so appointed shall retire from office at the next Annual General Meeting. A director is not required to hold any share qualification.

One-third of the directors retire from office at every Annual General Meeting and are eligible for reappointment.

The board considers that the performance of those directors proposed for re-election continues to be effective, that they remain independent in judgement and that they demonstrate a strong commitment to their role.

The business of the company is managed by the board who may exercise all such powers of the company as are not by legislation or by the company's Articles required to be exercised in general meeting. The board may make such arrangements as it thinks fit for the management and transaction of the company's affairs and may for that purpose appoint local boards, managers and agents and delegate to them any of the powers of the board (other than the power to borrow and make calls on shares) with power to sub-delegate.

Other than the directors' service contracts the directors have no interests in any other contract of the business.

### Substantial shareholdings

The directors have been notified that the following investors, including directors, held interests in 3% or more of the company's issued share capital at 12 June 2013:

	Number	%
Delta Lloyd Asset Management NV	5,549,018	12.7
Aberforth Partners' Clients	5,129,289	11.8
Ruffer LLP	4,923,921	11.3
B J Cooke	1,956,636	4.5
Hamstall Investments Inc	1,949,900	4.5
Rathbone Investment Management Ltd	1,600,000	3.7

During the period between 31 March 2013 and 12 June 2013, the directors have not been notified of any changes to the shareholdings set out above.

### Business review

The Chairman's Statement on page 2, the Business and Financial Review on page 3, the Corporate Governance Statement on page 12, and the Notes to the Accounts on pages 23 to 42 provide detailed information relating to the group, the operation and development of the business and the results and financial position for the year ended 31 March 2013.

### Future prospects

Future prospects are dealt with in the Chairman's Statement on page 2.

### Special business

There will be two items of special business at the Annual General Meeting:

#### Directors' authority to allot shares

Approval will be sought for a special resolution to renew the authority given to the directors to allot shares in the company. The present authority was granted on

14 August 2012 and under the Companies Act must be renewed at least every five years. Authority will also be sought from shareholders to allow the directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital.

In any three year period no more than 7.5% of the issued share capital will be issued on a pre-emptive basis.

Both authorities are to be for the period commencing on the date of passing of the resolution until 16 August 2015 but will be put to annual shareholder approval. The proposed resolutions are set out as items 8 and 9 in the Notice of Meeting.

#### Authority to purchase own shares

At the Annual General Meeting in 2012, the board was given authority to purchase and cancel up to 4,358,844 of its own shares representing 9.99% of the company's existing shares, 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 10 pence.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The directors are now seeking the approval of shareholders for the renewal of this authority upon the same terms, namely to allow the company to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of its issued share capital at 31 March 2013. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 10. 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 future earnings per share, and if it is in the best interests of shareholders generally.

# Directors' Report

continued

## Fixed assets

The market value of the group's interests in land cannot be accurately established without obtaining a valuation of all the land and buildings owned by the group. The directors consider that although a revaluation would show the market value of the land and buildings to be in excess of book value, this excess would not be significant in the context of group trading and would not justify the expense of a revaluation.

## Employee involvement

Employees are informed weekly of production levels and the relative production performance. Similarly, they are kept informed of any factor affecting the group and the industry generally.

Their involvement in the group's performance is encouraged by means of a production bonus and at the time of annual wages and salaries review they are made aware of all economic factors affecting the previous year's performance and the outlook for the ensuing year.

Further details of employee involvement are given under the Corporate Social Responsibility section on pages 10 and 11.

## Health and safety

As required by legislation, the group's policy for securing the health, safety and welfare at work of all employees has been brought to their notice. In addition, safety committees hold regular meetings.

## Supplier payment policy

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The group does not follow any code or standard on payment practice. Individual operating businesses within the group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The number of days' purchases outstanding for payment by the group at the year end was 48 (2012 – 51).

## Financial instruments

Details of the use of financial instruments by the group are contained in note 19 and in note 4 in the Notes to the Accounts.

## Articles of Association

Any amendments to the Articles of Association have to be adopted by the members by a special resolution in general meeting. The current articles were adopted in August 2011.

## Auditors

The auditors, BDO LLP, have indicated their willingness to continue in office. A resolution proposing their reappointment as auditors of the company and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

Each of the persons who are directors at the date when this report was approved confirms that so far as each of the directors is aware, there is no relevant audit information of which the group's auditors are unaware, and each of the directors has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

## Significant agreements

There are no significant agreements to which the company is party that take effect, alter or terminate upon a change of control of the company following a takeover bid.

## Principal risks and uncertainties

Principal risks and uncertainties are set out on page 8 and in note 4 in the Notes to the Accounts.

## Corporate Governance

Details of the group's corporate governance policies are dealt with on page 12.



### Cautionary statement

Under the Companies Act, a company's directors' report is required, among other matters, to contain a fair review by the directors of the group's business through a balanced and comprehensive analysis of the development and performance of the business of the group and the position of the group at the year end, consistent with the size and complexity of the business

The Directors' Report set out above, including the Chairman's Statement, the Principal Risks and Uncertainties and Corporate Social Responsibility incorporated into it by reference (together, the Directors' Report), has been prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed. The Directors' Report should not be relied upon by any other party or for any other purpose

The Directors' Report (as defined) contains certain forward looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information

### Approval of Directors' Report and Responsibility Statement

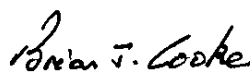
Each of the persons who is a director at the date of approval of this report confirms that to the best of his knowledge

(a) each of the group and parent financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU and UK Accounting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and the undertakings included in the consolidation taken as a whole, and

(b) the Chairman's Statement, Business and Financial Review and Directors' Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face

By order of the board

**B. J. COOKE**



Chairman

12 June 2013

# Review of Principal Risks and Uncertainties

## Risk

In common with all trading business, the group is exposed to a variety of risks in the conduct of its normal business operations

The group maintains a range of insurance policies against major identified insurable risks, including (but not limited to) those related to business interruption, damage to property and equipment, products and employment

Whilst it is not possible to either completely record or to quantify every material risk that the group faces, below is a summary of those risks that the directors believe are most significant to the group's business and could have a material impact on future performance, causing it to differ materially from expected or historic achieved results

## Operational and commercial risks

The group's revenues are principally derived from commercial vehicle and automotive markets. Both markets, and therefore group revenues, can be subject to variations in patterns of demand. Commercial vehicle sales are linked to technological factors (e.g. emission legislations) and economic growth. Passenger vehicle sales are influenced, *inter alia*, by consumer preferences, incentives and the availability of consumer credit.

## Market competition

Automotive and commercial vehicle markets are, by their nature, highly competitive, which has historically led to deflationary pressure on selling prices. This pressure is most pronounced in cycles of lower demand. A number of the group's customers are also adopting global sourcing models with the aim to reduce bought out costs. Whilst there can be no guarantee that business will not be lost on price, we are confident that we can remain competitive.

## Customer concentration, programme dependencies and relationships

The loss of, or deterioration in, any major customer relationship could have a material impact on the group's results.

## Product quality and liability

The group's businesses expose it to certain product liability risks which, in the event of failure, could give rise to material financial liabilities. Whilst it is a policy of the group to limit its financial liability by contract in all long-term agreements ("LTAs"), it is not always possible to secure such limitations in the absence of LTAs. The group's customers do require the maintenance of demanding quality systems to safeguard against quality-related risks and the group maintains appropriate external quality accreditations. The group maintains insurance for public liability-related claims but does not insure against the risk of product warranty or recall.

## Foreign exchange risk

Foreign exchange rate risk is sometimes partially hedged using forward foreign exchange contracts. Translational risk arises as a consequence of applying different exchange rates to net assets denominated in currencies other than sterling and, not being an exposure that results in an actual cash flow, is not hedged.

## Equipment

The group operates a number of specialist pieces of equipment, including foundry furnaces, moulding lines and CNC milling machines which, due to manufacturing lead times, would be difficult to replace sufficiently quickly to prevent major interruption and possible loss of business in the event of unforeseen failure. Whilst this risk cannot be entirely mitigated without uneconomic duplication of all key equipment, all key equipment is maintained to the highest possible standards and inventories of strategic equipment spares maintained. The facilities at Brownhills and Dronfield have similar equipment and work can be transferred from one location to another very quickly. The machining business also operates from two separate locations enabling the transfer of some production if required.

## Suppliers and trade credit

Although the group takes care to ensure alternative sources of supply remain available for materials or services on which the group's businesses are critically dependent, this is not always possible to guarantee without risk of short-term business disruption, additional costs and potential damage to relationships with key customers. The ability of our suppliers to maintain credit insurance on the group and its principal operating businesses is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. A reduction in the level of cover available to suppliers may impact on our trading relationship with them and may have a significant effect on cash flows.

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### **Commodity and energy pricing**

The principal metal raw materials used by the group's businesses are steel scrap and various alloys. The most important alloy raw material inputs are premium graphite, magnesium ferro-silicon, copper, nickel and molybdenum. Wherever possible, prices and quantities (except steel) are secured through long-term agreements with suppliers. In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses. Energy contracts are locked in for at least twelve months, although renegotiation risks remain at contract maturity dates but again this is mitigated through the application of price adjustment clauses.

### **Information technology and systems reliability**

The group is dependent on its information technology ("IT") systems to operate its business efficiently, without failure or interruption. Whilst data within key systems is regularly backed up and systems subject to virus protection, any failure of back-up systems or other major IT interruption could have a disruptive effect on the group's business.

### **Short-term deposits**

A review of credit ratings is undertaken prior to making new deposits and the maximum exposure to any one counterparty is restricted. However, institutions can be downgraded before maturity therefore possibly placing these deposits at risk.

### **Environmental risk**

The group's businesses are subject to compliance with many different laws and requirements in the UK, Europe, North America and elsewhere. Great care is made to act responsibly towards the environment to achieve compliance with all relevant laws and to establish a standard above the minimum level required. Whilst the group's manufacturing processes are not generally considered to provide a high risk of harm to the environment, a major control failure leading to environmental harm could give rise to a material financial liability as well as significant harm to the reputation of our business.

### **Pension scheme funding**

The fair value of the assets and liabilities of the group's defined benefit pension schemes is substantial. As at 31 March 2013 the schemes were in surplus on an IAS 19 basis. Further details are set out in note 6 to the accounts. The potential risks and uncertainties resulting from factors such as investment return, interest rates and mortality rates are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the defined benefit pension liabilities do not increase disproportionately. The company works closely with the scheme trustees and specialist advisers in managing the inherent risks of such schemes.

The schemes were closed to future accruals from 6 April 2009 which only leaves past service liabilities to be funded.

# Corporate Social Responsibility

## General

As a long-standing and principled company, we place great importance on our responsibilities to all our key stakeholders, whether shareholders, employees, customers, suppliers or the communities in which we operate. The group works hard to meet the legitimate expectations of these stakeholder groups whilst at the same time seeking to fulfil our objective of creating outstanding and enduring value through commercial success based on superior performance.

The group has a network of policies and strategies through which we seek to ensure that our values form part of the culture of each of our operations.

## The environment

We recognise our duty and responsibility towards protecting the environment wherever we conduct our business and strive to adopt the highest standards of environmental practices with the aim of minimising the impact of our commercial activities on the surrounding environment. Thus, we aim to meet, and wherever possible exceed, the standards demanded by applicable environmental legislation and operate a policy of effecting continual improvement in all of our processes that have the potential to impact the environment.

Specifically, the company is committed to

- Implementing and maintaining an Environmental Management System in accordance with the ISO 14001 standard
- Establishing procedures to review the impact of current or new activities or processes on the environment
- Reviewing audit results and initiating corrective action to address any deficiencies found within the group's environmental management system, policy, objectives or targets
- Using techniques to avoid, reduce or control pollution

- Complying with all relevant legal requirements, process, planning and discharge authorisations, as appropriate to its operations
- Pursuing best practice techniques in the use of energy and raw materials
- Encouraging the beneficial reuse, recycling and recovery of its waste products
- Ensuring that environmental issues are considered when making decisions to invest in capital plant and in the planning and controlling of manufacturing processes
- Promoting environmental awareness throughout the group and ensuring that personnel whose activities have the potential to cause a significant impact on the environment receive appropriate training
- Ensuring that suppliers and contractors adopt environmental practices on site that are compatible with our exacting environmental standards
- Establishing and maintaining adequate contingency procedures and plans to deal effectively with any accidental discharge or emission of pollutants
- Communicating our Environmental Policy Statement to any persons working on our behalf and any interested parties

The group demands that all activities and services will comply with applicable laws and regulations and that all substances and materials will be continually reviewed to ensure that only those that have the lowest impact on the environment will be used. In addition, where it is possible for us to assess, only waste disposal companies and facilities where the level of operational control and environmental compliance meets legislative requirements are used by our businesses. Noise from operations is kept to a level below legislative requirements to ensure the minimum of nuisance to the local environment.

Appropriate and adequate environmental information and training is given to all employees and contractors.

Both of our foundry sites are ISO 14001 2004 accredited. The group's practices and procedures are subject to regular environmental audits by external consultants.

The group has also in place an energy policy which requires each company to make continuing efforts to achieve the following objectives:

- To monitor and record energy and water consumption
- To reduce the consumption of fossil fuels and utilise energy from sustainable sources where practicable
- To examine ways of reducing water consumption
- To promote energy awareness amongst employees and contractors
- To identify and implement energy saving measures and practise energy efficiency throughout all group premises, plant and equipment
- To incorporate environmentally sensitive designs into both new and refurbished buildings
- To target a reduction in energy consumption in line with the Government's goal of cutting carbon dioxide emissions to counter the threat of climate change

## Employees

The group's policy is to employ people who embody its core values of commitment and excellence. These values apply to all employees regardless of seniority or position, including directors.

The group seeks to communicate with its employees in a structured open manner, including regular briefings and dissemination of relevant information on the group and business unit.

Employees are informed weekly of production levels and the relative production performance. Similarly, they

are kept informed of any factor affecting the group and the industry generally

Their involvement in the group's performance is encouraged by means of a production bonus and at the time of annual wages and salaries review they are made aware of all economic factors affecting the previous year's performance and the outlook for the ensuing year

Recognising the demands of our customers and our strategy, the group's policy is to recruit the best available people and to invest in their training and development to enable a high level of retention. In this regard, we are committed to equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation nor political bias

The group gives full consideration to employment applications by disabled persons where they can adequately fulfil the requirements of the position. If necessary, we endeavour to retrain any employee who becomes disabled during their period of employment with the group

## Health and Safety

The board regards the promotion of health and safety measures as a mutual objective for management and employees at all levels. It is our policy to do all that is practicable to prevent personal injury and damage to property and to protect everyone from foreseeable hazards, including third parties in so far as they come into contact with the group's activities. In particular, we aim to fulfil our responsibilities

- To provide and maintain safe and healthy working conditions complying with all statutory conditions
- To provide training and instruction to enable employees to perform their work safely and efficiently
- To make available all necessary safety devices and protective equipment and to supervise their use
- To maintain a constant and continuing interest in health and safety matters applicable to the group's activities, consulting and involving employees wherever possible

The group has clearly defined health and safety policies and we operate a system of strict reporting. Regular audits of health and safety at the group's manufacturing operations are carried out using independent agencies who make recommendations for improvements to achieve best practice wherever appropriate. The group's health and safety policy is regularly reviewed and modified as circumstances and experiences dictate.

The group encourages the maintenance of consistent high standards and each site is required to develop a safety management system that includes

- Health and safety planning and objective setting
- Carrying out risk assessments, both general and hazard specific
- Producing and issuing safe systems of work
- Induction training both job and hazard specific and refresher training
- Maintenance, inspection and statutory inspection of work equipment
- Providing appropriate personal protective equipment and rules for its use
- Occupational health including health surveillance and exposure monitoring as required
- The control of visitors and contractors
- Incident reporting, recording and investigation
- Routine workplace inspections
- Performance monitoring and evaluation

# Corporate Governance

## General

Castings PLC recognises the importance of high standards of Corporate Governance. The board has considered the principles and provisions of the 2010 UK Corporate Governance Code and will continue to adhere to them where it is in the interests of the business, and of shareholders, to do so.

The manner in which the board provides leadership of the company within a framework of prudent and effective controls is set out in this section and also within the Remuneration report.

## Internal control

The board is ultimately responsible for the group's system of internal controls, including internal financial control, and for monitoring its effectiveness. There is a continuous process for identifying, evaluating and managing the significant risks faced by the group which is regularly reviewed and has been in place throughout the year under review and up to the date of approval of the annual report and accounts. 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 review covers all controls including financial, operational, compliance and risk management.

The directors confirm that they have established procedures necessary to implement the internal control guidance for directors such that they fully comply with the 2010 UK Corporate Governance Code for the accounting period ended on 31 March 2013.

## Internal financial control

The directors are responsible for maintaining the group's systems of internal financial control. These controls are designed to both safeguard the group's assets and ensure the reliability of financial information used within the business and for publication. As with any such systems, controls can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal financial control is operated within a clearly defined organisational structure with clear control responsibilities and authorities, and a practice throughout the group of regular management and board meetings to review all aspects of the group's businesses including those aspects where there is a potential risk to the group.

For each business there are regular weekly and monthly reports, reviewed by boards and management, which contain both written reports and accounts. The accounts include profit and loss accounts and balance sheets for the period under review, year to date and previous year and are compared with expected results. A variety of operational and financial ratios are also produced.

Continual monitoring of the systems of internal financial control is conducted by all management. The external auditors, who are engaged to express an opinion on the group accounts, also consider the systems of internal financial control to the extent necessary to express that opinion. The external auditors report the results of their work to management, including members of the board and the audit committee.

The board does not consider there is a need for an internal audit function due to the size and non-complexity of the group.

## Auditors' independence

The non-audit work undertaken in the year by the group auditors, BDO LLP, was restricted to an involvement in the review and submission of the tax computations and a review of the interim financial statements. The board is satisfied with the assessment that the auditors are independent.

## Environment

The board recognises that our operations have an effect on the local, regional and global environment, and as a consequence of this, the board is committed to adopting policies, processes and procedures which will lead to the continual improvement in environmental performance and the prevention of pollution.

## Directors' conflicts of interest

A director has a statutory duty to avoid a situation in which he has, or can have, an interest that conflicts or possibly may conflict with the interests of the company. A director will not breach that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other directors.

The board has conducted a review of actual or possible conflicts of interest in respect of each director. At its meeting on 22 May 2013, the board considered the process for identifying current conflicts, authorised conflicts that have been identified and stipulated conditions in accordance with the guiding principles and agreed a process to identify and authorise future conflicts. In practice, directors are asked to consider and disclose actual or potential conflicts at the beginning of each meeting and as and when a matter arises.

Attendance at board and board committee meetings during the year is detailed in the table shown below

Director	Board		Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
B J Cooke	8	8	—	—	—	—
D J Gawthorpe	8	8	—	—	—	—
S J Mant	8	8	—	—	—	—
M A Lewis	8	8	—	—	—	—
G Cooper	8	8	—	—	—	—
A Vicary	8	8	—	—	—	—
C P King	8	8	2	2	1	1
G B Wainwright	8	7	2	1	1	1
A N Jones	8	8	2	2	1	1

The chairman communicates frequently with the non-executive and executive directors. Directors are also encouraged to discuss any issues or concerns with the chairman at any time throughout the year. The chairman also holds meetings with the non-executive directors without executives present.

The remuneration committee reviews the performance of the directors, including the chairman.

The non-executive directors appraise the chairman's performance.

## Board of directors

The board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year the board comprised six executive directors and three non-executive directors. The non-executive directors are independent of executive management and none of the non-executive directors participate in share option or other executive remuneration schemes nor do they qualify for pension benefits.

Although two of the non-executive directors have served for more than ten years their knowledge, advice and controls are still invaluable to the group.

Directors receive regular updates appropriate to the business throughout the year.

To assist with the conduct of their function, the non-executive directors are able to obtain professional advice at the company's expense if required in connection with their duties. In addition, all directors have access to the services of the company secretary.

## Board committees

The principal committees established by the directors are

### Audit committee

This committee comprises the three non-executive directors and is chaired by C P King. The finance director and other executive directors may also attend meetings as appropriate to the business in hand but are not members of the committee.

The committee meets at least twice a year and examines any matters relating to the financial affairs of the group including the review of annual and interim results, internal control procedures and accounting practices. The audit committee meets with the auditors periodically and as necessary.

### Remuneration committee

As detailed in the remuneration report on page 15.

### Nomination committee

This committee comprises the three non-executive directors and is chaired by G B Wainwright. The chairman may attend meetings as appropriate to the business in hand but is not a member of the committee. The committee did not meet during the year.

## Relations with shareholders

The company holds meetings from time to time with institutional shareholders to discuss the company's strategy and financial performance. The Annual General Meeting is used to communicate with private and institutional investors.

# Corporate Governance

continued

## Going concern

The directors have assessed the future funding requirements of the group and the company and compared them to the level of funding available. Details of the cash position are set out in note 19 to the accounts. The group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are also set out in notes 17 and 19 to the accounts.

The directors' assessment included a review of the group's financial forecasts, and financial instruments for the 15 months from the balance sheet date. The directors considered a range of potential scenarios within the key markets the group serves and how these may impact on cash flow. The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 2. The directors also considered what mitigating actions the group could take to limit any adverse consequences.

After making these enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## Summary

The board takes its responsibilities seriously even though there are a number of areas in which it does not comply fully with the 2010 UK Corporate Governance Code. It does not feel that the size or complexity of the group and the way in which it governs would be enhanced or strengthened by further changing the already existing high standards of corporate governance practised.

For the year ended 31 March 2013 the company complied with the 2010 UK Corporate Governance Code other than the following points:

- There were three non-executive directors during the year. Although two of these directors have served for more than ten years the board recognises the value they bring and believes it is important too that shareholders have the reassurance of non-executives on the board whose independence is beyond question.
- The non-executive directors do not have specified term contracts.
- The chairman is also regarded as an executive director but on reduced hours. However, the chief executive is responsible for the day to day running of the group through the managing directors of each location. The chairman concentrates on the effective working of the board and overall group strategies and remains a high level contact with our main customers.

- The role of the financial director and company secretary are fulfilled by the same person as there is no one else within the group qualified to do the job and it would not be a full-time position. The board monitors the effectiveness of this arrangement annually.
- There is no formal arrangement whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The visibility of directors within the business is considered sufficient to enable any such issues to be raised.

These are considered appropriate in relation to the size of the company and the way in which it operates.

By order of the board

**S. J. MANT**

Company Secretary  
12 June 2013



# Remuneration Report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority. The report describes how the board has applied the principles relating to directors' remuneration. As required by the Act, a resolution will be proposed at the Annual General Meeting to approve the remuneration report for the financial year ended 31 March 2013.

The Act requires the auditors to report to the company's members on certain parts of the directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Act. Items marked \* have been subject to audit and reported on in the auditors' report on page 18 and all other information is unaudited.

## Remuneration committee

This committee comprises the three non-executive directors and is chaired by G B Wainwright. The chairman of the group is invited to attend meetings where appropriate but is not a member of the committee.

None of the executive directors were present at meetings of the committee during consideration of their own remuneration.

No advice has been provided by external advisers or consultants.

## Remuneration policy

The underlying policy in setting the remuneration of the executive directors is that it shall be designed to retain and motivate the directors and be reasonable and fair in relation to their responsibilities.

Executive directors' emoluments comprise annual salary, an annual bonus, membership of a company pension scheme and other benefits. The committee ordinarily reviews directors' salaries annually, effective from

1 April, taking into account market rates and the performance of the individual and of the company. Pay and employment conditions of the group are taken into account in determining directors' remuneration, with the committee approving similar rates of salary increase across the group. Policies for benefits (which include provision of a car or car benefit, private health care and life assurance) are reviewed regularly and comparisons with other companies are made. Reports and published data are also taken into consideration in setting salary and benefit packages.

## Remuneration in 2013

The individual elements of remuneration of each director are set out in the table below.

### Annual bonus

Executive directors participate in a performance-related annual bonus scheme. Bonuses are payable based on the group obtaining profits before tax and exceptional items above a predetermined threshold.

## Directors' emoluments\*

	Salary/ fees £000	Benefits (note 1) £000	Performance related bonus £000	2013 Total £000	2012 Total £000
B J Cooke	86	5	53	144	160
D J Gawthorpe	230	10	91	331	361
S J Mant	160	10	91	261	277
M A Lewis	173	10	91	274	304
G Cooper	173	11	91	275	304
A Vicary	160	10	91	261	—
G B Wainwright	33	—	—	33	25
C P King	30	—	—	30	22
A N Jones	30	—	—	30	—
A J Smith	—	—	—	—	22
	1,075	56	508	1,639	1,475

Note 1 — Benefits in kind include car or car benefit, fuel or cash allowance, and private health care.

## Pension arrangements

Executive directors were contributing members of the Castings PLC Staff Pension and Life Assurance Scheme, a defined benefit scheme, up to 5 April 2009. Their dependants are eligible for dependants' pensions and the payment of

a lump sum in the event of death in service. The scheme provides for a pension accrued at 1/60th per year of service to 2005 and 1/80th per year thereafter. From 6 April 2009, they became deferred members.

Final pensionable remuneration is based on capped basic salaries on retirement at normal retirement age.

From 6 April 2009, the executive directors were able to join the Castings PLC

Money Purchase Pension Scheme, a defined contribution pension scheme. From 1 February 2013, contributions were paid to Castings PLC Group Personal Pension Plans. Pension contributions are not paid on benefits or bonuses. Total contributions of the company total 7% of pensionable earnings.

Five directors receive contributions into defined contribution pension plans.

# Remuneration Report

continued

## Directors' pension entitlements\*

Name of director	Age at year end	Directors' contributions in the year (note 1)	Increase in accrued pension during the year	Increase in accrued pension during year net of inflation	Transfer value of increase net of inflation and directors' contributions	Accumulated total accrued pension at 31/03/2013 (note 2)	Accumulated total accrued pension at 31/03/2012 (note 2)	Transfer value of accrued benefits 31/03/2013	Transfer value of accrued benefits 31/03/2012	Difference in transfer values less contributions
		£	£	£	£	£	£	£	£	£
D J Gawthorpe	51	—	1,259	—	—	49,670	48,411	617,939	523,828	94,111
M A Lewis	49	—	585	—	—	23,091	22,507	282,457	232,829	49,628
G Cooper	59	—	709	—	—	27,992	27,283	455,143	395,783	59,360

The following directors received contributions into defined contribution pension plans paid by Castings P L C as set out below

Contributions paid to 31/03/2013	
D J Gawthorpe	9,518
S J Mant	9,518
M A Lewis	9,518
G Cooper	9,518
A Vicary	9,518

### Notes to the pension benefits:

- 1 The Castings P L C Staff Pension and Life Assurance Scheme was closed to future accrual of benefits on 5 April 2009. The above directors (excluding S J Mant and A Vicary) were members of this scheme up until this date.
- 2 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the company financial year.

## Directors' contracts

Executive directors have contracts of service terminable on one year's notice. These contracts are considered appropriate in the context of the overall remuneration policy as, in the opinion of the board, it encourages directors to take a long-term rather than a short-term view of their conduct and planning of the company's affairs. None of the contracts contains any provision for predetermined compensation in the event of termination.

The date of contracts currently in place for the executive directors is 1 April 2013.

The non-executive directors do not have a contract of service and do not participate in the company's bonus schemes and are not eligible to join a company pension scheme.

On behalf of the board

### G. B. WAINWRIGHT

Chairman of the remuneration committee

12 June 2013

# Statement of Directors' Responsibilities

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group and company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,

- prepare a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent Auditors' Report

To the members of Castings P.L.C

We have audited the financial statements of Castings PLC for the year ended 31 March 2013 which comprise the consolidated statement of comprehensive income, consolidated and parent company balance sheets, consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

## Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Articles 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception


We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we required for our audit.

Under the Listing Rules we are required to review

- the directors' statements, set out on page 14 in relation to going concern, and
- the part of the corporate governance relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the board on directors' remuneration.

  
**THOMAS LAWTON**

(senior statutory auditor)

For and on behalf of BDO LLP,

Statutory auditor

Birmingham

United Kingdom

12 June 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
<b>Revenue</b>	2	<b>122,215</b>	126,271
Cost of sales		(90,479)	(92,658)
<b>Gross profit</b>		<b>31,736</b>	33,613
Distribution costs		(1,553)	(1,665)
Administrative expenses			
Excluding exceptional		(11,481)	(9,704)
Exceptional	4	149	693
<b>Total administrative expenses</b>		<b>(11,332)</b>	(9,011)
<b>Profit from operations</b>	3	<b>18,851</b>	22,937
Finance income	7	306	156
<b>Profit before income tax</b>		<b>19,157</b>	23,093
Income tax expense	8	(4,371)	(5,502)
<b>Profit for the year attributable to equity holders of the parent company</b>		<b>14,786</b>	17,591
<b>Other comprehensive income for the year</b>			
Change in fair value of available-for-sale financial assets		4	28
Net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes	6	(138)	(345)
Tax effect of gains and losses recognised directly in equity		(1)	(7)
<b>Total other comprehensive losses for the year (net of tax)</b>		<b>(135)</b>	(324)
<b>Total comprehensive income for the year attributable to the equity holders of the parent company</b>		<b>14,651</b>	17,267
<b>Earnings per share attributable to the equity holders of the parent company</b>			
Basic and diluted	10	33 89p	40 32p

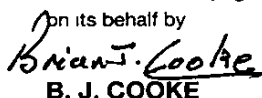
Notes to the accounts are on pages 23 to 42

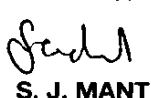
# Consolidated Balance Sheet

31 March 2013

	Notes	2013 £000	2012 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	61,676	62,226
Financial assets	12	494	495
		<b>62,170</b>	<b>62,721</b>
<b>Current assets</b>			
Inventories	13	10,642	9,310
Trade and other receivables	14	33,326	30,191
Other current interest-bearing deposits		5,000	—
Cash and cash equivalents		18,654	17,805
		<b>67,622</b>	<b>57,306</b>
<b>Total assets</b>		<b>129,792</b>	<b>120,027</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	19,686	18,863
Current tax liabilities		2,950	2,983
		<b>22,636</b>	<b>21,846</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	5,058	5,577
<b>Total liabilities</b>		<b>27,694</b>	<b>27,423</b>
<b>Net assets</b>		<b>102,098</b>	<b>92,604</b>
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	17	4,363	4,363
Share premium account		874	874
Other reserve		13	13
Retained earnings		96,848	87,354
<b>Total equity</b>		<b>102,098</b>	<b>92,604</b>

The accounts on pages 19 to 42 were approved and authorised for issue by the board of directors on 12 June 2013, and were signed

on its behalf by  
  
**B. J. COOKE**

  
**S. J. MANT**

Chairman

Finance Director

Notes to the accounts are on pages 23 to 42

# Consolidated Cash Flow Statement

for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
<b>Cash flows from operating activities</b>			
Profit before income tax		19,157	23,093
Adjustments for			
Depreciation		7,416	6,188
(Profit)/loss on disposal of property, plant and equipment		(19)	66
Finance income		(306)	(156)
Excess of employer pension contributions over income statement charge		(138)	(345)
(Increase)/decrease in inventories		(1,332)	2,092
(Increase)/decrease in receivables		(3,135)	765
Increase/(decrease) in payables		823	(6,250)
<b>Cash generated from operating activities</b>		<b>22,466</b>	<b>25,453</b>
Tax paid		(4,925)	(4,142)
Interest received		285	137
<b>Net cash generated from operating activities</b>		<b>17,826</b>	<b>21,448</b>
<b>Cash flows from investing activities</b>			
Dividends received from listed investments		21	19
Purchase of property, plant and equipment		(6,865)	(12,591)
Proceeds from disposal of property, plant and equipment		19	—
Transfer to other current interest-bearing deposits		(5,000)	—
Proceeds from disposal of financial assets		5	—
<b>Net cash used in investing activities</b>		<b>(11,820)</b>	<b>(12,572)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders		(5,157)	(4,778)
<b>Net cash used in financing activities</b>		<b>(5,157)</b>	<b>(4,778)</b>
<b>Net increase in cash and cash equivalents</b>		<b>849</b>	<b>4,098</b>
Cash and cash equivalents at beginning of year		17,805	13,707
<b>Cash and cash equivalents at end of year</b>	19	<b>18,654</b>	<b>17,805</b>
<b>Cash and cash equivalents</b>			
Short-term deposits		18,263	17,189
Cash available on demand		391	616
		<b>18,654</b>	<b>17,805</b>

Notes to the accounts are on pages 23 to 42

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2013

	Equity attributable to equity holders of the parent				Total equity £000
	Share capital <sup>a)</sup> £000	Share premium <sup>b)</sup> £000	Other reserve <sup>c)</sup> £000	Retained earnings <sup>d)</sup> £000	
At 1 April 2012	4,363	874	13	87,354	92,604
Total comprehensive income for the period ended 31 March 2013	—	—	—	14,651	14,651
Dividends	—	—	—	(5,157)	(5,157)
At 31 March 2013	4,363	874	13	96,848	102,098

	Equity attributable to equity holders of the parent				Total equity £000
	Share capital <sup>a)</sup> £000	Share premium <sup>b)</sup> £000	Other reserve <sup>c)</sup> £000	Retained earnings <sup>d)</sup> £000	
At 1 April 2011	4,363	874	13	74,865	80,115
Total comprehensive income for the period ended 31 March 2012	—	—	—	17,267	17,267
Dividends	—	—	—	(4,778)	(4,778)
At 31 March 2012	4,363	874	13	87,354	92,604

- a) Share capital — The nominal value of allotted and fully paid up ordinary share capital in issue  
b) Share premium — Amount subscribed for share capital in excess of nominal value  
c) Other reserve — Amounts transferred from share capital on redemption of issued shares  
d) Retained earnings — Cumulative net gains and losses recognised in the statement of comprehensive income



# Notes to the Accounts

## 1 Accounting policies

### Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards ('IAS') and Interpretations (collectively 'IFRS'), as endorsed for use in the EU

The IFRSs applied in the group financial statements are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2013 or later accounting periods but may be adopted early.

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The primary statements within the financial information contained in this document have been presented in accordance with IAS 1 Presentation of Financial Statements.

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain assets, and in accordance with applicable Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the principal group IFRS accounting policies is set out below.

### Basis of consolidation

The consolidated statement of comprehensive income and balance sheet include the accounts of the parent company and its subsidiaries made up to the end of the financial year. These subsidiaries include William Lee Limited and CNC Speedwell Limited, both of

which are 100% owned and are based in the UK. Intercompany transactions and balances between group companies are eliminated in full.

### Business combinations and goodwill

Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the group at the date of acquisition. All changes to these assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary, are credited and charged to the post-acquisition income statement.

Under UK GAAP, goodwill arising on acquisitions prior to 1998 was written off to reserves. There have been no acquisitions since 1998. Following the exemption in IFRS 1 this treatment has continued to be followed.

### Revenue recognition

Revenue, which excludes value added tax and intra-group sales, represents the invoiced value of goods and services sold to customers. Services relate to the machining of parts which is recognised as the work is performed. Appropriate provisions for returns and other allowances are deducted from revenue as appropriate. The group has no barter transactions.

The group's revenue has been recognised when goods have been dispatched.

### Post-retirement benefits

Two of the group's pension plans are of a defined benefit type. Under IAS 19 Employee Benefits the employer's portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the interest cost net of the expected return on assets in the plans also being credited to operating profit. Actuarial gains and losses are recognised directly in equity, in the statement of comprehensive income, and the balance sheet reflects the schemes' surplus or

deficit at the balance sheet date. A full valuation is carried out tri-annually using the projected unit credit method.

If the group cannot benefit from a scheme surplus in the form of refunds from the plans or reductions in future contributions, any asset resulting from the above policy is restricted accordingly.

Payments to the defined contribution scheme are charged to the consolidated statement of comprehensive income as they become payable.

### Property, plant and equipment

Property, plant and equipment assets are held at cost less accumulated depreciation. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, on a straight-line basis. The periods of write-off used are as follows:

- i Freehold buildings over 50 years
- ii Leasehold land and buildings over 50 years or the period of the lease, whichever is less
- iii Plant and equipment over a period of 3 to 15 years, straight-line or unit of production method if more appropriate

The group annually reviews the assessment of residual values and useful lives in accordance with IAS 16.

### Inventories

The group's inventories are valued at the lower of cost on a first in, first out basis and net realisable value. Cost includes a proportion of production overheads based on normal levels of activity. Provision is made for obsolete and slow-moving items.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

# Notes to the Accounts

continued

## Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the consolidated statement of comprehensive income.

## Financial Instruments

### a) Financial assets

The group's financial assets relate to loans and receivables and available-for-sale assets. Although the group occasionally uses derivative financial instruments in economic hedges of currency rate risk, it does not hedge account for these transactions and the amounts are not material. The group has not classified any of its financial assets as held to maturity.

### Available-for-sale assets

Available-for-sale financial assets comprise the group's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in the consolidated statement of comprehensive income. Fair value is determined with reference to published quoted prices in an active market.

### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks and building societies, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms of the deposit or receivable. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired asset. Such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the deposit or receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### b) Financial liabilities

The group classifies its financial liabilities into liabilities measured at amortised cost. Although the group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions, and the amounts are not material.

Unless otherwise indicated, the carrying amounts of the group's financial liabilities are a reasonable approximation of their fair values.

### Financial liabilities measured at amortised cost

Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value is calculated by discounting estimated future cash flows using a market rate of interest.

## c) Share capital

The group's ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

## Current and deferred tax

Deferred tax is provided using the liability method. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax is provided for on the taxable profits of each company in the group, using current tax rates and legislation that have been enacted or substantively enacted by the balance sheet date.

## Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are only recognised when approved by the shareholders at the Annual General Meeting.

## Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of the size or incidence to enable a full understanding of the group's financial performance.

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**Standards, interpretations and amendments to published standards that are not yet effective**

The following new standards, amendments and interpretations have been issued but are not yet effective and therefore have not been adopted in these financial statements. Management are considering the impact of the changes on future reporting.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (1 July 2012),
- IFRS 9 "Financial Instruments" (1 January 2015),
- IFRS 10 "Consolidated Financial Statements" (1 January 2014),
- IFRS 13 "Fair Value Measurement" (1 January 2013),
- Amendments to IAS 19 "Employee Benefits" (1 January 2013),
- Amendments to IAS 27 "Separate Financial Statements" (1 January 2014), and
- Improvements to IFRS (2011 – 2013) (1 January 2013)

There are a number of further standards, interpretations and amendments to published standards not set out above which the directors consider not to be relevant to the group.

**Critical accounting estimates and judgements**

The group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Useful lives of property, plant and equipment**

Property, plant and equipment are depreciated over their useful lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details, including carrying values, are included in note 11.

**Pension assumptions**

The costs, assets and liabilities of the defined benefit pension schemes operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 6.

# Notes to the Accounts

continued

## 2 Operating segments

For internal decision making purposes, the group is organised into three operating companies which are considered to be the operating segments of the group. Castings PLC and William Lee are aggregated into Foundry operations and CNC Speedwell is the Machining operation.

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2013

	Foundry operations £000	Machining £000	Elimination £000	Total £000
Revenue from external customers	106,674	15,541	—	122,215
Inter-segmental revenue	19,166	11,615	—	30,781
Segmental result	14,656	3,803	105	18,564
Unallocated costs				
Exceptional credit for recovery of Icelandic Bank deposits previously written off				149
Excess of employer pension contributions over statement of comprehensive income charge				138
Finance income				306
Profit before income tax				19,157
Total assets	114,690	27,575	(12,473)	129,792
Non-current asset additions	1,141	5,724	—	6,865
Depreciation	4,169	3,247	—	7,416

All non-current assets are based in the United Kingdom

## 2 Operating segments continued

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2012

	Foundry operations £000	Machining £000	Elimination £000	Total £000
Revenue from external customers	117,036	9,235	—	126,271
Inter-segmental revenue	18,888	11,283	—	30,171
Segmental result	17,761	4,017	121	21,899
Unallocated costs				
Exceptional credit for recovery of Icelandic Bank deposits previously written off				693
Excess of employer pension contributions over statement of comprehensive income charge				345
Finance income				156
Profit before income tax				23,093
Total assets	110,377	22,755	(13,105)	120,027
Non-current asset additions	7,508	5,356	—	12,864
Depreciation	3,046	3,142	—	6,188

All non-current assets are based in the United Kingdom

	2013 £000	2012 £000
<b>The geographical analysis of revenues by destination for the year is as follows</b>		
United Kingdom	42,353	42,531
Sweden	23,893	31,588
Netherlands	19,024	21,371
Rest of Europe	31,520	24,579
North and South America	4,042	4,877
Other	1,383	1,325
	<b>122,215</b>	<b>126,271</b>

All revenue arises in the United Kingdom from the group's continuing activities. Inter-company sales are priced on an arm's length basis.

### Information about major customers

Included in revenues arising from Foundry operations are revenues of approximately £28,932,000, £16,638,000 and £12,667,000 from three customers (2012 – £28,168,000, £18,452,000 and £12,078,000)

# Notes to the Accounts

continued

## 3 Profit from operations

	2013 £000	2012 £000
This has been arrived at after charging/(crediting)		
Staff costs (note 5)	35,875	34,021
Cost of inventories recognised as an expense	57,765	55,097
Depreciation of property, plant and equipment	7,416	6,188
Fees payable to the company's auditors for the audit of the company's annual accounts	25	25
Fees payable to the company's auditors for other services		
– The audit of the company's subsidiaries	26	26
– Tax services	10	10
(Profit)/loss on disposal of property, plant and equipment	(19)	66

## 4 Exceptional items

	2013 £000	2012 £000
Recovery of past provision for losses on deposits with Icelandic banks	(149)	(693)
	(149)	(693)

The company reported in the year ended 31 March 2009 that £1 86 million was included in other receivables as the net recoverable after provision from various Icelandic banks. So far £2 90 million has been received of the original balance of £5 7 million with the excess over the £1 86 million being shown as an exceptional credit.

## 5 Employee information

	2013	2012
Average number of employees during the year was		
Production	950	967
Management and administration	102	99
	1,052	1,066

	2013 £000	2012 £000
Staff costs (including directors) comprise		
Wages and salaries	31,841	30,430
Defined contribution pension costs	760	679
Defined benefit pension cost (note 6)	(138)	(345)
Employer's national insurance contributions and similar taxes	3,368	3,257
	35,831	34,021

In addition to the wages and salaries disclosed above, the group incurred costs of £296,000 (2012 – £816,000) in respect of agency workers.

The directors represent the key management personnel. Details of their compensation are given in the Remuneration Report on page 15.

## 6 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay, which are closed to new entrants and were closed to future accruals on 6 April 2009. The assets are independent of the finances of the group and are administered by Trustees.

The latest actuarial valuation was performed with an effective date of 6 April 2011 using the attained unit method. It assumed that the rate of return on investments was 5.8% per annum for pre-retirement and 4.9% for post-retirement and price inflation was 3.5% under RPI and 3.1% under CPI. The demographic assumptions are based on S1NA tables with an age rating of -1 year being applied to the birth tables for the Staff Scheme. The Staff Scheme has assumed long cohort projected improvements of 1% per annum on future life expectancy, with the Shopfloor Scheme being based on CMI projections with a 1.5% per annum long-term rate of improvement.

The next actuarial valuation will be performed with an effective date of 6 April 2014.

In addition, the group operated a money purchase pension scheme whereby contributions are invested through individual accounts under an insurance policy administered by Trustees. On 1 February 2013 the group commenced contributions to individual members' Group Personal Pension Plans in place of the money purchase scheme.

### *Composition of the schemes*

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6 April 2011 and updated to 31 March 2013 using the projected unit method by a qualified independent actuary. The service cost has been calculated using the projected unit method. The major assumptions used by the actuary were (in nominal terms):

	2013	2012
Rate of increase of pensions in payment	2.6%	2.5%
Discount rate	4.2%	4.9%
Inflation assumption (RPI)	3.3%	3.2%
Inflation assumption (CPI)	2.6%	2.5%

# Notes to the Accounts

continued

## 6 Pensions continued

	2013 £000	2012 £000
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	42,295	41,486
Current service cost	—	—
Past service cost	—	165
Interest cost	2,040	2,237
Plan participants' contributions	—	—
Actuarial loss	5,753	35
Benefits paid	(1,340)	(1,628)
Benefit obligation at end of year	48,748	42,295
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	49,063	48,169
Expected return on plan assets	2,178	2,747
Actuarial gain/(loss)	5,502	(225)
Employer contribution	—	—
Member contributions	—	—
Benefits paid	(1,340)	(1,628)
Fair value of plan assets at end of year	55,403	49,063
Funded status	6,655	6,768
Unrecognised pension surplus	(6,655)	(6,768)
Net amount recognised in the balance sheet	—	—

The pension surplus has not been recognised as the group does not have an unconditional right to receive returns of contributions or refunds under the scheme rules

	Year to 31 March 2013 £000	Year to 31 March 2012 £000
<b>Components of pension cost</b>		
Current service cost	—	—
Recognition of past service cost	—	165
Interest cost	2,040	2,237
Expected return on plan assets	(2,178)	(2,747)
Total pension cost recognised within administrative expenses (note 5)	(138)	(345)
Unrecognised pension surplus at beginning of year	6,768	6,683
Unrecognised pension surplus at end of year	(6,655)	(6,768)
Actuarial (loss)/gain for the year	(251)	(260)
Pension cost shown in Other Comprehensive Income	138	345
Cumulative amount of actuarial gains and losses immediately recognised	12,223	11,972



## 6 Pensions continued

### Plan assets

The weighted average assets allocations at the year end were as follows

Assets category	Plan assets at 31 March 2013 £000	Plan assets at 31 March 2012 £000
Equities	67%	66%
Bonds	30%	31%
Real estate	3%	3%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 4.5% (2012 – 5.8%) assumption.

The projected pension cost for the year ending 31 March 2014 is £nil

	2013 £000	2012 £000
Actual return on plan assets	7,680	2,522
<b>Weighted average assumptions used to determine benefit obligations</b>		
Discount rate	4.2%	4.9%
<b>Weighted average assumptions used to determine net pension cost</b>		
Discount rate	4.9%	5.5%
Expected long-term return on plan assets	4.5%	5.8%
Rate of compensation increase	n/a	n/a

# Notes to the Accounts

continued

## 6 Pensions continued

Weighted average life expectancy for mortality tables\* used to determine benefit obligations at

	2013		2012	
	Male Staff/ Shopfloor	Female Staff/ Shopfloor	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	23 6/22.8	26 5/25 7	23 5/22 7	26 4/25 6
Scheme member age 45 (life expectancy at age 65)	25 7/24 8	28 5/27 6	25 6/24 7	28 4/27 5

\* Mortality tables are S1NA (YOB) -1 for the Staff Scheme and S1NA (YOB) for the Shopfloor Scheme. A 1% p a floor in future improvements was included as at 31 March 2013 for the Staff Scheme and 1.5% for the Shopfloor Scheme.

History of experience gains and losses

Financial year ended in	2013	2012	2011	2010	2009
Present value of defined obligation	48,748	42,295	41,486	41,369	33,251
Fair value of plan assets	55,403	49,063	48,169	46,250	34,258
Surplus	6,655	6,768	6,683	4,881	1,007
Difference between expected and actual return on scheme assets					
amount (£000)	5,502	(225)	873	10,187	(11,054)
percentage of scheme assets	10%	0%	2.0%	22.0%	(32.0%)
Experience gains and (losses) on scheme liabilities					
amount (£000)	—	1,954	—	—	86
percentage of scheme liabilities	0%	5.0%	0%	0%	0%
Total gains and (losses)					
amount (£000)	(251)	(260)	1,393	(592)	(2,955)
percentage of scheme assets	(1.0%)	(1.0%)	3.0%	(1.0%)	(10.0%)

## 7 Finance income

	2013 £000	2012 £000
Interest on short-term deposits	285	137
Income from listed investments	21	19
	306	156

## 8 Income tax

	2013 £000	2012 £000
Corporation tax based on a rate of 24% (2012 – 26%)		
UK corporation tax		
Current tax on profits for the year	5,075	5,725
Adjustments to tax charge in respect of prior periods	(184)	(146)
	4,890	5,579
Deferred tax		
Current year origination and reversal of temporary differences	(300)	326
Prior year deferred tax movement	12	37
Change in rate of corporation tax	(232)	(440)
Taxation on profit on ordinary activities	4,371	5,502
Profit on ordinary activities before tax	19,157	23,093
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012 – 26%)	4,598	6,004
Effect of		
Expenses not deductible for tax purposes	211	137
Adjustment to tax charge in respect of prior periods	(184)	(146)
Adjustment to deferred tax charge in respect of prior periods	12	37
Change in rate of future tax	(233)	(440)
Pension adjustments	(33)	(90)
Total tax charge for period	4,371	5,502
Effective rate of tax (%)	22.7	23.8

A reduction in the UK corporation tax rate from 26% to 24% was substantively enacted in March 2012 and was effective from 1 April 2012. A further reduction from 24% to 23% was substantively enacted in July 2012 and will be effective from 1 April 2013. Accordingly, the substantively enacted rates have been applied in the measurement of the group's deferred tax assets and liabilities at 31 March 2013.

## 9 Dividends

	2013 £000	2012 £000
Final paid of 8.84p per share for the year ended 31 March 2013 (2012 – 8.04p)	3,857	3,508
Interim paid of 2.98p per share (2012 – 2.91p)	1,300	1,270
	5,157	4,778

The directors are proposing a final dividend of 9.36 pence (2012 – 8.84 pence) per share totalling £4,083,962 (2012 – £3,858,820). This dividend has not been accrued at the balance sheet date.

## 10 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £14,786,000 (2012 – £17,591,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2012 – 43,632,068). There are no share options, hence the diluted earnings per share is the same as above.

# Notes to the Accounts

continued

## 11 Property, plant and equipment

	Land and buildings £000	Plant and other equipment £000	Total £000
<b>Cost</b>			
At 1 April 2012	29,337	97,482	126,819
Additions during year	746	6,145	6,891
Disposals	—	(502)	(502)
Adjustment to opening position	—	(25)	(25)
At 31 March 2013	<b>30,083</b>	<b>103,100</b>	<b>133,183</b>
<b>Depreciation and amounts written off</b>			
At 1 April 2012	3,988	60,605	64,593
Charge for year	637	6,779	7,416
Disposals	—	(502)	(502)
At 31 March 2013	<b>4,625</b>	<b>66,882</b>	<b>71,507</b>
<b>Net book values</b>			
At 31 March 2013	<b>25,458</b>	<b>36,218</b>	<b>61,676</b>
At 31 March 2012	25,349	36,877	62,226
<b>Cost</b>			
At 1 April 2011	23,336	92,195	115,531
Additions during year	6,001	6,863	12,864
Disposals	—	(1,303)	(1,303)
Adjustment to opening position	—	(273)	(273)
At 31 March 2012	<b>29,337</b>	<b>97,482</b>	<b>126,819</b>
<b>Depreciation and amounts written off</b>			
At 1 April 2011	3,325	56,317	59,642
Charge for year	663	5,525	6,188
Disposals	—	(1,237)	(1,237)
At 31 March 2012	<b>3,988</b>	<b>60,605</b>	<b>64,593</b>
<b>Net book values</b>			
At 31 March 2012	<b>25,349</b>	<b>36,877</b>	<b>62,226</b>
At 31 March 2011	20,011	35,878	55,889

The net book value of group land and buildings includes £2,527,000 (2012 – £2,527,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2012 – £359,000).

## 12 Financial assets

	2013 £000	2012 £000
Available-for-sale assets	494	495
	2013 £000	2012 £000
At 1 April 2012	495	467
Disposals	(5)	—
Net gains/(losses) transferred to statement of comprehensive income	4	28
At 31 March 2013	494	495

Available-for-sale financial assets are UK quoted equity securities and are denominated in sterling. The fair value of the securities is based on published market prices.

## 13 Inventories

	2013 £000	2012 £000
Raw materials	2,730	3,107
Work in progress	2,920	2,424
Finished goods	4,992	3,779
	10,642	9,310

Inventories are net of impairment provisions of £235,000 (2012 – £227,000).

## 14 Trade and other receivables

	2013 £000	2012 £000
Due within one year		
Trade receivables	24,895	23,297
Other receivables	945	1,225
Prepayments	7,486	5,669
	33,326	30,191

## 15 Trade and other payables

	2013 £000	2012 £000
Current trade and other payables		
Trade payables	11,687	11,900
Social security	1,731	1,939
Other payables	614	255
Accruals	5,654	4,769
	19,686	18,863

# Notes to the Accounts

continued

## 16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in 2014 of 23% (2012 – 24%) The movement on the deferred tax account is shown below

### Deferred tax – net

	2013 £000	2012 £000
At 1 April 2012	5,577	5,647
Taken to equity	1	7
Credit to income statement	(520)	(77)
At 31 March 2013	5,058	5,577

The movement in deferred tax assets and liabilities during the year is shown below

### Deferred tax – liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2012	5,731	(154)	5,577
(Credited)/charged to profit	(571)	51	(520)
Charged to other comprehensive income	—	1	1
At 31 March 2013	5,160	(102)	5,058

The movement in the deferred tax assets and liabilities during the prior year is shown below

	Accelerated tax depreciation £000	Pension adjustment £000	Other £000	Total £000
At 1 April 2011	6,054	(168)	(239)	5,647
Charged to profit	(323)	168	78	(77)
Charged to other comprehensive income	—	—	7	7
At 31 March 2012	5,731	—	(154)	5,577

The deferred tax charged to equity during the year is as follows

	2013 £000	2012 £000
Tax on change in fair value of available-for-sale financial assets	1	7
Tax on items taken directly to reserves	1	7

## 17 Share capital

	2013 £000	2012 £000
Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

The group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital, the group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. Each share entitles the holder to receive the amount of dividends per share declared by the company and a vote at any meetings of the company.

In order to achieve this objective, the group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the group considers not only its short-term position but also its long-term operational and strategic objectives.

## 18 Commitments

	2013 £000	2012 £000
Capital commitments contracted for by the group but not provided for in the accounts	2,571	348

# Notes to the Accounts

continued

## 19 Financial instrument risk exposure and management

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- trade receivables
- other receivables
- cash at bank
- other interest-bearing deposits
- trade and other payables

### General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below.

### Categories of financial assets and financial liabilities

	Loans and receivables	
	2013 £000	2012 £000
Current financial assets		
Trade receivables	24,895	23,297
Other receivables	944	1,225
Cash and cash equivalents	18,654	17,805
Other interest-bearing deposits	5,000	—
Total current financial assets	49,493	42,327

The maximum exposure to credit risks is detailed in the above table.



## 19 Financial instrument risk exposure and management continued

	Financial liabilities measured at amortised cost	
	2013 £000	2012 £000
Current financial liabilities		
Trade payables	11,687	11,900
Other payables	614	255
Accruals	5,654	4,769
Total current financial liabilities	17,955	16,924

### Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

As at 31 March 2013, trade receivables of £24,628,000 (2012 – £23,240,000) were not past due.

### Trade receivables

Credit risk is managed locally by the management of each subsidiary. Prior to accepting new customers, credit checks are obtained from a reputable external source (for example Creditsafe and trade references).

Based on this information, credit limits and payment terms are established, although for some large customers and contracts, credit risk is not considered to be high risk, and credit limits can sometimes be exceeded. These exceeded accounts are closely monitored and if there is a concern over recoverability accounts are put on stop and no further goods will be sold before receiving payment. Pro forma invoicing is sometimes used for new customers, or customers with a poor payment history until creditworthiness can be proven or re-established.

Management teams at each subsidiary receive regular ageing reports, and these are used to chase relevant customers for outstanding balances.

Impairment provisions are made against trade receivables when considered appropriate based upon objective evidence.

No major renegotiation of terms has taken place during the year.

# Notes to the Accounts

continued

## 19 Financial instrument risk exposure and management continued

At 31 March 2013 trade receivables of £267,000 (2012 – £57,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2013 £000	2012 £000
30–60 days	3	–
60–90 days	25	8
90+ days	239	49
	<b>267</b>	<b>57</b>

At 31 March 2013 trade receivables of £163,000 (2012 – £25,000) were past due and impaired. The ageing of these receivables is as follows:

	2013 £000	2012 £000
30–60 days	62	5
60–90 days	2	3
90+ days	99	17
	<b>163</b>	<b>25</b>

The group records impairment losses on its trade receivables (including an impairment provision for trade receivables not past due) separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2013 £000	2012 £000
Opening balance	385	359
Increase/(decrease) in provisions	103	26
Written off against provisions	–	(2)
Recovered amounts reversed	–	2
Closing balance	<b>489</b>	<b>385</b>

Impairment losses on trade receivables of £103,000 (2012 – £26,000) were recognised in administrative expenses.

### Liquidity risk

Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 90 days. The cash position is continuously monitored to ensure that there is sufficient cash and that the optimum interest rate is obtained.

Based on projected cash flows, the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

## 19 Financial instrument risk exposure and management continued

### Market risk

Market risk arises from the group's use of interest-bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Where the group has generated a significant amount of surplus cash it will invest in term deposits if liquidity risk is not unduly compromised. Whilst a review of credit ratings is performed for each counterparty, there will always remain an element of risk over the recoverability of the funds at the end of the term. Although the directors on investing in such instruments never intend to dispose of investments before maturity, they cannot guarantee this will never happen and therefore do not classify these instruments as 'held to maturity' in the consolidated balance sheet.

The directors believe that the exposure to market price risk from these activities is acceptable in the group's circumstances.

### Interest rate and currency risk

The group does not have any financial liabilities subject to interest rate risk at the balance sheet date (2012 – £nil).

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. It is the group's policy to convert all non-functional currency to sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider the use of hedging facilities would significantly minimise this risk. At the balance sheet date the group had forward contracts in place to sell euro with a sterling value of £2,030,000 (2012 – £2,700,000). The fair value adjustment associated with these contracts is not considered material and has therefore not been recognised in these financial statements. At the balance sheet date foreign exchange facilities of £1.9 million (2012 – £1.7 million) were unused and available to the group to enable them to enter into forward exchange contracts.

The currency and interest profile of the group's financial assets (less other receivables) and liabilities are as follows:

	Floating rate assets 2013 £000	Fixed rate assets 2013 £000	Interest-free assets 2013 £000	Total 2013 £000
Sterling	106	20,145	21,551	41,802
US\$	40	—	47	87
Euro	2,152	1,211	3,297	6,660
	<b>2,298</b>	<b>21,356</b>	<b>24,895</b>	<b>48,549</b>

	Floating rate assets 2012 £000	Fixed rate assets 2012 £000	Interest-free assets 2012 £000	Total 2012 £000
Sterling	13	15,835	17,765	33,613
US\$	145	—	106	251
Euro	464	1,348	5,426	7,238
	<b>622</b>	<b>17,183</b>	<b>23,297</b>	<b>41,102</b>

# Notes to the Accounts

continued

## 19 Financial instrument risk exposure and management continued

	Interest-free liabilities 2013 £000	Interest-free liabilities 2012 £000
Sterling	9,471	10,857
US\$	—	—
Euro	2,216	1,043
	<b>11,687</b>	<b>11,900</b>

Fixed rate assets attracted interest rates between 0.75% to 3.15% (2012 – 0.75% to 1.65%) on sterling deposits

Floating rate assets consisted of overnight cash at bank at nominal interest rates

### Cash and cash equivalents

Cash and cash equivalents generally comprise short-term deposits that have fixed interest rates and maturity periods within three months

The effect of a +50/(50) increase/(decrease) in basis points with all other variables held constant would have the effect of increasing/(decreasing) profit before tax by £96,000/(£96,000) (2012 – £76,000/(£76,000))

The group believes that movements on exchange rates of +/-5% could be possible, the effect of which is that profit before tax would increase/(decrease) by £157,000/(£174,000) (2012 – (£258,000)/£286,000)

### Fair value

Unless otherwise indicated, the carrying amounts of the group's financial instruments are a reasonable approximation of their fair values

## Five Year Financial History — unaudited

For the years ended 31 March	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
<b>Trading results</b>					
Revenue	122,215	126,271	105,368	60,649	84,812
Profit before tax	19,157	23,093	15,501	9,804	3,616
Profit after tax	14,786	17,591	11,652	7,638	622
Dividends	5,157	4,778	4,363	4,363	4,363
<b>Balance sheet summary</b>					
<b>Equity</b>					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	97,735	88,241	75,752	68,872	69,314
Total equity	102,098	92,604	80,115	73,235	73,677
<b>Assets</b>					
Property, plant and equipment	61,676	62,226	55,889	51,596	53,408
Financial assets	494	495	467	480	429
Deferred tax asset	—	—	—	—	—
	62,170	62,721	56,356	52,076	53,837
Current assets	67,622	57,306	56,065	41,685	37,059
Total liabilities	(27,694)	(27,423)	(32,306)	(20,526)	(17,219)
	102,098	92,604	80,115	73,235	73,677
<b>Dividends and earnings</b>					
Pence per share paid	12 34	11 75	10 75	10 0	10 0
Number of times covered	2 9	3 7	2 7	1 7	—
Earnings per share — basic and diluted	33 89p	40 32p	26 71p	17 51p	1 43p

# Parent Company Accounts Under UK GAAP

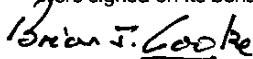
As noted on page 18, the company has elected to prepare its financial statements under UK GAAP

## Parent Company Balance Sheet

31 March 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	4	15,019	16,342
Investments	5	5,775	5,776
		<b>20,794</b>	<b>22,118</b>
<b>Current assets</b>			
Stocks	6	6,356	5,319
Debtors	7	27,363	25,475
Deposits		15,828	12,878
Cash at bank and in hand		131	217
		<b>49,678</b>	<b>43,889</b>
Creditors — amounts falling due within one year	8	12,942	14,077
<b>Net current assets</b>		<b>36,736</b>	<b>29,812</b>
<b>Total assets less current liabilities</b>		<b>57,530</b>	<b>51,930</b>
Provisions for liabilities	9	(309)	(594)
		<b>57,221</b>	<b>51,336</b>
<b>Capital and reserves</b>			
Called up share capital	10	4,363	4,363
Share premium	11	874	874
Other reserve	11	13	13
Retained earnings	11	51,971	46,086
<b>Shareholders' funds</b>		<b>57,221</b>	<b>51,336</b>

The parent company accounts on pages 44 to 49 were approved and authorised for issue by the board of directors on 12 June 2013, and were signed on its behalf by



**B. J. COOKE**

Chairman



**S. J. MANT**

Finance Director

Notes to the accounts are on pages 45 to 49

# Notes to the Parent Company Accounts

The Directors' Report is on pages 4 to 7 of the Annual Report and Accounts

## 1 Accounting policies

### Basis of preparation

The accounts are prepared under the historical cost convention except for revaluation of certain financial instruments as required by FRS 26 and in accordance with applicable UK Accounting Standards and the Companies Act 2006

### Depreciation

Depreciation is calculated on the straight-line basis to write off the initial cost of fixed assets at the following rates per annum

• Buildings	2%
• Plant and other equipment	7% to 33%

Freehold land is not depreciated

### Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services in accordance with FRS 17. Where defined benefit pension schemes are multi-employer schemes and it is not possible to identify the company's share of assets and liabilities of those schemes on a reasonable and consistent basis, the company contributions payable to those schemes during the year are charged to the profit and loss account.

### Turnover

Turnover is the aggregate of the invoiced values of sales (less returns and allowances) charged to external customers of the company, excluding value added tax. Turnover is recognised when goods are dispatched.

### Stocks

Stock and work in progress have been consistently valued at the lower of cost and net realisable value. The valuation of work in progress and finished stocks includes appropriate manufacturing and works overheads computed on the basis of normal activity.

### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, all differences being taken to the profit and loss account.

### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### Investments

Listed investments are accounted for at fair value in accordance with FRS 26 'Financial Instruments Measurement'. Investments in subsidiaries are held at cost and reviewed for impairment annually.

### Financial Instruments

#### a) Financial assets

The company's financial assets relate to loans and receivables. Although the company occasionally uses derivative financial instruments in economic hedges of currency rate risk, it does not hedge account for these transactions and the amounts are not material. The company has not classified any of its financial assets as held to maturity.

#### Available-for-sale assets

Available-for-sale financial assets comprise the company's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in the statement of comprehensive income. Fair value is determined with reference to published quoted prices in an active market.

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables and amounts owed by subsidiary companies) and deposits held at banks and building societies, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

# Notes to the Parent Company Accounts

continued

*The Directors' Report is on pages 4 to 7 of the Annual Report and Accounts*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## **b) Financial liabilities**

The company classifies its financial liabilities into liabilities measured at amortised cost. Although the company uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions and the amounts are not material.

## **Financial liabilities measured at amortised cost**

Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value is calculated discounting estimated future cash flows using a market rate of interest.

## **c) Share capital**

The company's ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

## **Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

## **Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with members of the group on the grounds that 100% of the voting rights in the company are controlled within that group.



## 2 Company profit and loss account

Castings PL C has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these accounts. The company's profit after tax was £11,038,000 (2012 – £10,218,000)

The profit and loss account includes £25,000 (2012 – £25,000) for audit fees

## 3 Dividends

	2013 £000	2012 £000
Final paid of 8.84p per share for the year ended 31 March 2013 (2012 – 8.04p)	3,857	3,508
Interim paid of 2.98p per share (2012 – 2.91p)	1,300	1,270
	<b>5,157</b>	<b>4,778</b>

The directors are proposing a final dividend of 9.36 pence (2012 – 8.84 pence) per share totalling £4,083,962 (2012 – £3,858,820). This dividend has not been accrued at the balance sheet date.

## 4 Tangible assets

	Land and buildings £000	Plant and other equipment £000	Total £000
<b>Cost</b>			
At 1 April 2012	15,568	24,356	40,014
Additions during year	249	452	701
Disposals	–	(73)	(73)
At 31 March 2013	<b>15,907</b>	<b>24,735</b>	<b>40,642</b>
<b>Depreciation and amounts written off</b>			
At 1 April 2012	2,413	21,259	23,672
Charge for year	201	1,823	2,024
On Disposals	–	(73)	(73)
At 31 March 2013	<b>2,614</b>	<b>23,009</b>	<b>25,623</b>
<b>Net book values</b>			
At 31 March 2013	<b>13,293</b>	<b>1,726</b>	<b>15,019</b>
At 31 March 2012	13,245	3,097	16,342

The net book value of land and buildings includes £2,127,000 (2012 – £2,127,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2012 – £359,000).

# Notes to the Parent Company Accounts

continued

The Directors' Report is on pages 4 to 7 of the Annual Report and Accounts

## 5 Investments

	2013 £000	2012 £000
Subsidiary companies		
At cost	5,281	5,281
Listed investments at market value	494	495
	<b>5,775</b>	<b>5,776</b>

The company owns 100% of the issued share capital of William Lee Limited, CNC Speedwell Limited and W H Booth & Co Limited, companies which operate in the United Kingdom. William Lee Limited supplies spheroidal graphite iron castings from Dronfield, Sheffield and CNC Speedwell Limited is a machinist operation. W H Booth & Co Limited does not trade and is dormant.

During the year the company disposed of listed investments of £5,000 (2012 – £nil) and the change in fair value taken to equity is £4,000 (2012 – £27,000).

## 6 Stocks

	2013 £000	2012 £000
Raw materials	916	884
Work in progress	2,246	1,809
Finished goods	3,194	2,626
	<b>6,356</b>	<b>5,319</b>

## 7 Debtors

	2013 £000	2012 £000
Due within one year		
Trade debtors	15,498	15,733
Amounts owed by subsidiary companies	4,477	4,012
Other debtors	944	1,224
Prepayments and accrued income	6,444	4,506
	<b>27,363</b>	<b>25,475</b>

## 8 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Due within one year		
Trade creditors	4,673	5,063
Amounts owed to subsidiary companies	2,457	3,272
Corporation tax	1,752	2,009
Other taxation and social security	787	1,003
Other creditors	434	92
Accruals and deferred income	2,839	2,638
	<b>12,942</b>	<b>14,077</b>

## 9 Provisions for liabilities

	2013 £000	2012 £000
Deferred taxation		
At 1 April 2012	594	494
Taxation deferred this year	(285)	100
At 31 March 2013	309	594
Deferred tax is provided as follows		
Accelerated capital allowances	326	612
Other timing differences	(17)	(18)
	309	594

## 10 Called up share capital

	2013 £000	2012 £000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

## 11 Reserves

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 April 2012	4,363	874	13	46,086	51,336
Profit retained	—	—	—	5,881	5,881
Changes in fair value of investments	—	—	—	4	4
At 31 March 2013	4,363	874	13	51,971	57,221

## 12 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit for the year	11,038	10,218
Changes in fair value of investments	4	28
Dividends	(5,157)	(4,778)
Net increase in shareholders' funds	5,885	5,468
Opening shareholders' funds	51,336	45,868
Closing shareholders' funds	57,221	51,336

## 13 Pensions

It is not possible to identify the company's share of the underlying assets and liabilities in respect of the group defined benefit schemes on a consistent and reasonable basis. Contributions to the schemes by the company are based on professional and independent actuarial advice. During the year the contributions payable by the company to the funds amounted to £nil (2012 – £nil). The last valuation was performed with an effective date of 6 April 2011. Further details of the schemes are contained in note 6 to the consolidated accounts of Castings PLC.

## 14 Capital commitments

	2013 £000	2012 £000
Authorised, but not provided in the accounts	—	—

# Notice of Meeting

Notice is hereby given that the one hundred and sixth Annual General Meeting of Castings PLC (the 'Company') will be held at Holiday Inn, Birmingham M6, Junc 7, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on 13 August 2013 at 3 30 pm for the following purposes

## As ordinary business

- 1 To receive and adopt the directors' report and audited accounts for the year ended 31 March 2013
- 2 To declare a final dividend
- 3 To re-elect B J Cooke as a director
- 4 To re-elect M A Lewis as a director
- 5 To re-elect C P King as a director
- 6 To approve the directors' remuneration report for the year ended 31 March 2013
- 7 To reappoint BDO LLP as auditors of the Company at a fee to be agreed with the directors

To consider and, if thought fit, pass the following resolutions, of which resolution 8 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions

The share capital consists of 43,632,068 ordinary shares with voting rights

## As an ordinary resolution

- 8 THAT
- (a) the directors be and are hereby generally and unconditionally authorised in accordance with the Companies Act 2006 to exercise all the powers of the Company to allot relevant securities provided that the aggregate nominal value of such securities shall not exceed £636,793, which represents approximately 14.6% of the current issued share capital of the Company,
  - (b) the foregoing authority shall expire on 16 August 2015 save that the Company may before

such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired,

- (c) the foregoing authority shall be in substitution for the authorities given to the directors under the Companies Act 2006 on 14 August 2012, which authorities are accordingly hereby revoked,
- (d) this authority will be put to annual shareholder approval

## As special business

### As special resolutions

- 9 THAT the directors be and are hereby empowered pursuant to the Companies Act 2006 to allot equity securities (within the meaning of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 8 set out in the notice convening this meeting as if the said Act did not apply to any such allotment provided that this power shall be limited
- (a) to allotments in connection with an offer of equity securities to the ordinary shareholders of the Company where the securities respectively attributable to the interests of such holders are proportionate (as nearly as may be and subject to such exclusions or other arrangement as the directors may consider appropriate, necessary or expedient to deal with any fractional entitlements or with any legal or practical difficulties in respect of overseas holders or otherwise) to the respective numbers of ordinary shares then held by such shareholders, and

- (b) to the allotment (otherwise than pursuant to subparagraph (a) of this resolution) of equity securities having, in the case of relevant shares, an aggregate nominal amount, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal amount not exceeding £218,160, which represents approximately 5% of the current issued share capital of the Company,

and shall expire at the conclusion of the next Annual General Meeting following the date of this resolution save that the Company shall be entitled before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. In any three year period no more than 7.5% of the issued share capital will be issued on a pre-emptive basis

- 10 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of the Companies Act 2006 to make one or more market purchases of any of its ordinary shares of 10p each (the 'ordinary shares'), provided that
- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844 representing 9.99% of the issued share capital at 31 March 2013,
  - (b) the minimum price which may be paid for each ordinary share is 10p, exclusive of the expenses of purchase,
  - (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for the ordinary shares as derived

from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the day of purchase,

- (d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company following the date of this resolution, unless such authority is renewed on or prior to such date,
- (e) the Company may, before the expiry of this authority, conclude a contract to purchase ordinary shares under this authority which will or may be executed wholly or partly after such expiry and may make a purchase of ordinary shares pursuant to any such contract, as if such authority had not expired

The record date for payment of the final dividend is 12 July 2013. Assuming the final dividend is approved by the members, the dividend will be paid on 16 August 2013.

Information about the meeting can be found on the Company's website ([www.castingsplc.uk](http://www.castingsplc.uk)). The right to vote at the meeting is determined by reference to the register of members as it stands on 9 August 2013. Shareholders have the right to ask questions at the meeting.

By order of the board

**S. J. MANT**

Company Secretary

Registered Office

Lichfield Road,

Brownhills,

West Midlands, WS8 6JZ

12 June 2013

**Note**

Any member of the Company entitled to attend and vote at this meeting may appoint one or more proxies, who need not also be a member, to attend and vote, on a poll, in his stead. The instrument appointing a proxy, including authority under which it is signed (or a notarially certified copy of such authority), must be deposited at the offices of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent, BR3 4TU, not less than 48 hours before the time appointed for the meeting.

**Beneficial owners**

In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Act.

Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members entered on the Company's register of members at 6.00 pm on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6.00 pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

# Directors, Officers and Advisers

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## Directors

B J Cooke, AdvDipNFC, FICME *Chairman*  
D J Gawthorpe, BSc (Hons), MICME *Chief Executive*  
S J Mant, BSocSc (Hons) FCA *Finance Director*  
M A. Lewis *Managing Director, CNC Speedwell Limited*  
G Cooper, BSc, MSc, FICME *Managing Director, William Lee Limited*  
A Vicary, BEng, MSc, FICME *Managing Director, Brownhills*  
G B Wainwright, MCMI, MIEEx, FRSA *Senior Independent Non-executive*  
C P King, FCA *Non-executive*  
A N Jones, BA (Hons), FCA *Non-executive*

## Secretary and Registered Office

S J Mant, FCA  
Lichfield Road,  
Brownhills,  
West Midlands, WS8 6JZ  
Tel 01543 374341  
Fax 01543 377483  
Web [www.castings.plc.uk](http://www.castings.plc.uk)

## Registrars

Capita Registrars  
The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent, BR3 4TU  
Tel 0871 664 0300 (Calls cost 10p per minute plus network extras,  
lines are open 8.30 am to 5.30 pm Mon–Fri)  
Fax 020 8658 3430

## Auditors

BDO LLP  
Chartered Accountants  
125 Colmore Row,  
Birmingham, B3 3SD

## Solicitors

Enoch Evans LLP  
St Paul's Chambers,  
6/9 Hatherton Road,  
Walsall,  
West Midlands, WS1 1XS  
  
Pinsent Masons LLP  
3 Colmore Circus,  
Birmingham, B4 6BH

## Bankers

HSBC Bank plc  
High Street,  
Brownhills,  
West Midlands, WS8 6HJ

## Stockbrokers

Arden Partners plc  
Arden House,  
Highfield Road,  
Edgbaston,  
Birmingham, B15 3DU

## Registered No.

91580

# Shareholder Information

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## Capital gains tax

The official price of Castings PLC ordinary shares on 31 March 1982, adjusted for bonus issues, was 4.92 pence

## Warning to shareholders

The following guidance has been issued by the Financial Conduct Authority

Over the last year many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turned out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way, many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved. You can check at <http://www.fca.org.uk/register/>
- The FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FCA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive

payment under the Financial Services Compensation Scheme

- If the calls persist, hang up

More detailed information on this or similar activity can be found on the FCA website [www.fca.org.uk/consumers/scams](http://www.fca.org.uk/consumers/scams)

## Website

Castings PLC's website [www.castingsplc.uk](http://www.castingsplc.uk) gives additional information on the group. Notwithstanding the references we make in this Annual Report to Castings PLC's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.