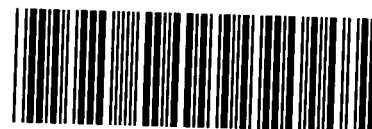


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Castings P.L.C.

Annual Report for the
year ended 31 March 2014

Stock Code: CGS

An Introduction to Castings P.L.C.

Castings P.L.C. is a market leading UK iron casting and machining group.

Our continued strength is largely as a result of our investment in the latest technologies and manufacturing processes. Maintaining an ungeared balance sheet provides investment flexibility, enabling us to maximise commercial opportunities to generate strong returns for the benefit of shareholders, customers and employees alike.

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Financial Highlights

Group revenue

£137m

(2013: £122m)

Profit before tax

£21.8m

(2013: £19.2m)

Capital expenditure

£9.7m

(2013: £6.9m)

Foundry sales volume (tonnes)

57,600

(2013: 52,700)

EPS (basic and diluted)

39.55p

(2013: 33.89p)

Dividend per share

12.96p

(2013: 12.34p)

Chairman's Statement

The turnover of the group increased to £137.4m with profits of £21.8m.

As previously reported, the results were affected by the disruption following the change in European exhaust emissions regulations from Euro 5 to Euro 6. The increase in demand at short notice created excessive manufacturing and transport costs to meet our customers' requirements. Business has since returned to more predictable levels without exceptional disruptions.

Foundry Production

The foundries at Brownhills and Dronfield have enjoyed high levels of production during most of the year and £3.4m has been invested to increase capacity for core production and finishing.

Further prudent investments will be made to improve productivity in order to maintain our position in a highly competitive market.

CNC Speedwell

Once again it is pleasing to report that CNC has increased sales both from machining castings for our foundries and also for external customers. £6.1m has been invested during the year on new machines and improved inspection equipment. Further investments in plant and equipment will be made as and when new orders are obtained.

Dividend

I am pleased to report that the directors recommend an increase in the final dividend to 9.83 pence per share. This, together with an increased interim dividend, gives a total for the year of 12.96 pence per share.

Outlook

Customer requirements have slightly reduced at the present time from the high levels achieved last year. However, several of our major customers have forecast that demand will increase during quarters 3 and 4 of the current financial year. We await further developments and hope the economic recovery in Europe continues.

The company continues to invest in the most up to date machinery both in the foundries and the machining operations and is in a sound financial position to react at short notice for any future investments required.

In conclusion I would like to thank all our employees who have reacted well to the variable demands from our customers.

B. J. Cooke
Chairman

11 June 2014

Objectives and Strategy

Group objective

Our objective is to generate shareholder value through the delivery of innovative design and flexible production solutions to global markets, delivering long-term sustainable revenues at higher than average margins through investment in market leading technologies.

We maintain sufficient available funds to be able to make strategic decisions to support customer demand increases and new orders. We are always mindful of our competitor activity and invest in the latest technology to maintain our market advantage.

Group strategy

Our strategy is to invest in the latest technologies to provide our customers with state-of-the-art design and flexible production offerings.

We invest to match the capacity of the foundries with the requirements of our major customers with the aim of building long-term supply relationships.

Our machining operation is invested to support both the capacity requirements of the foundry customer base and also to expand general machining in alternative materials with blue chip customers.

The Group balance sheet is managed to ensure long-term financial stability and the ability to make efficient investment decisions to support our objectives.

We measure progress against our strategic priorities by reference to our financial performance as shown on page 27.

Business Model

We seek to enhance our strong margins by continually striving for further operational efficiencies. These efficiencies also provide the opportunity to invest in growth.

Group structure

Castings P.L.C. is an established iron casting and machining group based in the UK, supplying both the domestic and export markets. The group comprises of three trading operations:

- Castings (Brownhills) supplies spheroidal graphite iron castings to a variety of manufacturing industries from its highly mechanised foundries.
- William Lee Limited supplies spheroidal graphite iron castings from its well invested foundries in Dronfield, Derbyshire.
- CNC Speedwell Limited is a highly invested machining operation primarily focused on the prismatic machining of iron and aluminium castings from its sites in Brownhills and Fradley.

Management structure

Our board manages overall control of the Group's affairs and is responsible for delivering on the Group's objectives.

The Group Executive team includes a Managing Director from each of the three trading operations who are responsible for assisting the Chief Executive in implementing our strategy and the day-to-day management of the Group.

Each Managing Director is supported by a local senior management team who are all

directly involved in the detailed operations at their respective sites.

Group business model

Our trading operations share the common business model of working closely with customers in developing products to meet their specific needs. As part of this process we:

- Undertake the design, including virtual analyses, of ductile and SG iron castings.
- Produce rapid prototypes and pre-series castings using full production processes as well as serial quantities of fully machined ductile iron castings and sub-assemblies.
- Provide vertical and horizontal machining capacity together with 5-axis prototyping.
- Maintain international and customer specific quality and process control standards incumbent on a first tier supplier.

We seek to enhance our strong margins by continually striving for further operational efficiencies. These efficiencies also provide the opportunity to invest in growth.

We ensure the latest environmental standards are achieved in all areas of activity.

Business and Financial Review

Revenue has increased by 12% to £137.5 million of which 67% (2013 – 65%) was exported.

Profit before taxation increased to £21.8 million from £19.2 million.

The dispatch weight of castings to third party customers was 57,600 tonnes, being an increase of 4,900 tonnes from the previous year.

Revenue from the machining operation, CNC Speedwell, to external customers increased by 13% during the year.

During the year we have received £0.36 million (2013 – £0.15 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 £3.26 million which is £1.4 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 reduction in the level of finance income reflects the lower interest rates available during the year.

Operationally the group generated £19.2 million in cash (after tax payments) which, after investment of £9.7 million in property, plant and equipment and £5.4 million in dividend payments, resulted in an increase in cash of £4.1 million in the year (excluding the impact of the £5 million long term deposit that matured during the year).

This results in a total cash and deposits position at the balance sheet date of £27.8 million.

The pension valuation showed an increase in the surplus, on an IAS 19 (Revised) basis, to £14.6 million. This improvement has been aided by additional contributions of £4 million by the company during the year. The surplus continues not to be shown on the balance sheet due to the IAS 19 (Revised) restriction of recognition of assets where the company does not have an unconditional right to receive returns of contributions or refunds.

Overall the group returned a profit before taxation of £21.8 million (2013 – £19.2 million) for the year. This includes a £0.1 million charge in respect of the defined benefit pension schemes (as set out in note 6) in accordance with IAS 19 (Revised) and £0.36 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 £5.65 million to shareholders.

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

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

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.

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

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. Further information is set out on page 8.

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 2014 the schemes were in surplus on an IAS 19 (Revised) 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.

Greenhouse gas emissions

Our gross greenhouse gas (GHG) emissions for the year ended 31 March 2014 was 72,101 tonnes of CO₂ (2013 - 63,586 tonnes of CO₂). Our material emissions arise entirely from indirect emissions that come from our use of electricity, gas and water (Scope 2).

We have calculated our carbon footprint according to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol, which is the internationally recognised standard for corporate carbon reporting.

For the foundry businesses, the most appropriate metric to measure the level of GHG emissions is per production tonne. The metric used for the machining operation is emissions per thousand pounds of sales revenue. The foundry emissions results for the year being 1.06 tonnes/production tonne and 0.19 tonnes/£'000 of machining revenue respectively.

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.

The gender of our staff at 31 March 2014 was as follows:

	Male	Female
Non-executive directors	3	—
Executive directors	6	—
Senior managers	12	2
Other employees	1,006	103
	1,027	105

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.

The Strategic Report was approved by the board and signed on its behalf by

D. J. Gawthorpe
Chief Executive Officer

11 June 2014



Board of Directors

Executive Directors

Brian Cooke
Chairman

Aged 74, 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 52, 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 38, 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 50, 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 60, 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. He is due to retire on 30 September 2014.

Adam Vicary
Managing Director — Brownhills

Aged 46, 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
Senior Independent Non-executive Director

Aged 64, 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 77, 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 62, 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.

Directors' Report

The directors submit the annual report and audited financial statements of Castings P.L.C. for the year ended 31 March 2014.

Strategic report

The Strategic Report, which contains a review of the group's business, a description of the principal risks and uncertainties facing the group and commentary on the likely future developments, is set out on pages 2 to 9.

Financial results and dividend

The profit for the year after taxation was £17,258,000 (2013 – £14,786,000), full details of which are set out in the consolidated statement of comprehensive income on page 27.

An interim dividend of 3.13 pence per share was paid in January 2014 in respect of the year ended 31 March 2014.

The directors recommend a final dividend of 9.83 pence per share payable on 22 August 2014 to shareholders on the register on 11 July 2014, making a total distribution of 12.96 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2013 – 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 10 and their interests in the ordinary share capital at the beginning and end of the year were:

Beneficial Holdings

	2014 Total	2013 Total
B. J. Cooke	1,959,636	1,956,636
G. B. Wainwright	84,261	59,261
D. J. Gawthorpe	29,379	29,379
A. Vicary	14,000	14,000
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 provision B.7.1 of the UK Corporate Governance Code for non-executive directors having served more than nine years and, being eligible, offer themselves for re-election:

- S. J. Mant – by rotation
- G. B. Wainwright – annual re-election
- C. P. King – annual re-election

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. A. N. Jones, G. B. Wainwright and C. P. King do not have contracts of service. G. Cooper is due to retire on 30 September 2014.

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. In addition, non-executive directors with service greater than nine years are subject to annual re-election.

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.

Directors' Report

continued

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 11 June 2014:

	Number	%
Delta Lloyd Asset Management NV	5,129,737	11.8
Aberforth Partners' Clients	4,341,407	10.0
Ruffer LLP	4,287,711	9.8
B. J. Cooke	1,959,636	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 2014 and 11 June 2014, Ruffer LLP sold 300,000 shares, their shareholding at the year end being 4,587,711 (10.5%).

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 13 August 2013 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 18 August 2019 but will be put to annual shareholder approval. The proposed resolutions are set out as items 9 and 10 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2013, 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 2014. The authority is sought by way of a special resolution, details of which are also included in the Notice of Meeting as item 11.

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.

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 8 and 9.

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.

Financial instruments

Details of the use of financial instruments by the group are contained in note 19 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.

Corporate Governance

Details of the group's corporate governance policies are dealt with on page 14.

Greenhouse gas emissions

Details of the group's greenhouse gas emissions are dealt with on page 8.

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

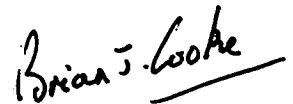
Each of the persons who is a director at the date of approval of this report confirms that to the best of his knowledge:

- 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
- the Chairman's Statement, Strategic Report 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

11 June 2014



Corporate Governance

General

Castings P.L.C. recognises the importance of high standards of Corporate Governance. The board has considered the principles and provisions of the 2012 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.

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 considered 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 and Risk committee

Further details are contained within the Audit and Risk Committee report on page 16.

Remuneration committee

Further details are set out in the remuneration report on page 18.

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.

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 and Risk 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	7	3	3	1	1
G. B. Wainwright	8	8	3	2	1	1
A. N. Jones	8	7	3	3	1	1

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.

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 2012 UK Corporate Governance Code for the accounting period ended on 31 March 2014.

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.

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 Strategic Report. 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 2012 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 2014 the company complied with the 2012 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.

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

11 June 2014



Audit and Risk Committee Report

Responsibilities

The main responsibilities of the audit and risk committee are:

- to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to ensure the company's annual report is fair, balanced and understandable;
- to review the company's internal financial controls and internal control and risk management systems;
- to review the need for an internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- to report to the board on how it has discharged its responsibilities.

Committee composition and meetings

The audit and risk 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 board considers that A. N. Jones has the most recent and relevant financial experience as required by the code.

The committee meets at least three times a year. Meetings are also attended by the executive directors and on at least one occasion by representatives of the Group's external auditors. At meetings attended by the external auditors time is allowed for the committee to discuss issues with the external auditors without the executive directors being present.

The committee operates under formal terms of reference and these are reviewed annually. The committee considers that it has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year. There were no changes to the terms of reference in the year under review.

Financial reporting

During the year the committee reviewed the appropriateness of the Group's half year and full year financial statements, taking into account the reports of the group Finance Director and external auditors.

The main areas of focus considered by the committee during the year were as follows:

- Revenue recognition processes have been reviewed to ensure revenue has been recognised appropriately and consistency of policy applied across the group;
- Final salary pension scheme matters, in particular the financial reporting treatment of the balances due from the pension schemes to the company; and
- Valuation of inventory, which involved understanding the approach to updating the standard costs used within the foundry businesses and ensuring a materially correct cost valuation at the year end.

Internal control

During the year the committee reviewed the effectiveness of the group's system of internal controls and risk management.

The committee again concurred with the board's view that there is no requirement for an internal audit function due to the size and non-complex nature of the group.

External auditors

The committee oversees the relationship with the external auditors and monitors all services provided by and fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

In particular the committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the audit process, the committee receives from the auditors a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the committee to ensure coverage is appropriately focused.

Feedback on the audit process is requested from management and for the 2014 financial year, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The committee concurred with the view of management.

The committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors which has again been minimal this year.

BDO LLP ('BDO') have been the group's external auditors since 2006. In June 2014 the committee reviewed the external audit mandate and confirmed the continuing appointment of BDO. This was on the basis that the committee was comfortable that the BDO audit team remained objective and independent on the basis of the rotation of the audit partner every five years. The committee has therefore recommended to the board that a resolution be put to shareholders for the reappointment of the auditor at the Annual General Meeting.

As part of its work, and in line with its terms of reference, the committee also considers the discharge of the board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Turnbull Guidance.

C. P. King

Chairman of the Audit and Risk Committee

11 June 2014

Directors' Remuneration Report

Annual Statement

On behalf of the board, I am pleased to present the directors' remuneration report for the year ended 31 March 2014 which sets out the remuneration policy for the directors and the amounts earned during the current year.

The aim of the Group's remuneration policy is to produce an outcome which supports the business objectives of the group whilst remaining straightforward and transparent.

During the year the remuneration committee considered all aspects of its policy on executive director remuneration, including the appropriateness of long-term incentive plans ('LTIPs'). The conclusion of this review is that the current policy is in line with the strategy of the group and, accordingly, no substantial changes have been made.

The remuneration committee welcomes any feedback on the disclosures made in this report. As the remuneration policy is unchanged, we have not consulted specifically with shareholders during the year, but will do so in the future where appropriate.

By order of the board

G. B. Wainwright

Chairman of the Remuneration Committee

11 June 2014

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.

Detailed policy

The table below summarises the main components of the remuneration policy for executive directors for the three year period commencing 19 August 2014 and highlights any changes to the policy when compared to that in operation for the current financial year.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value
Base salary	To provide competitive fixed remuneration. To attract and retain high calibre directors to deliver growth for the business.	Reviewed with effect from 1 April each year taking into account market rates, performance of the individual, performance of the company and the rates of salary increase across the group.	Whilst no absolute maximum exists, increases will be referenced to other salary increases across the group, although discretion may be applied.
Benefits	To aid retention and remain competitive within the marketplace.	Currently include the provision of car benefit, private health care, life assurance and income protection. Benefits are reviewed annually and in comparison with other companies with discretion for the provided benefits to alter.	Car benefit increase in line with salary increases across the group. It is not possible to provide a maximum figure for the other insured benefits.
Annual bonus	Rewards contribution to performance of the group and aligned to shareholder aspirations.	Chairman – Bonus is based on 0.5% of PBIT (before exceptional items) in excess of a threshold of £10m. Other executives – Bonus is based on 1% of PBIT (before exceptional items) in excess of £10m threshold.	There is no maximum in place, however, there is discretion for the threshold level to be adjusted to restrict the maximum bonus payable.
Pension	To reward sustained contribution by providing retirement benefits.	B. J. Cooke does not receive pension benefits. D. J. Gawthorpe, G. Cooper and M. A. Lewis are deferred members of the now closed final salary pension scheme. All executive directors (excluding B. J. Cooke) receive 7% of base salary as contributions into personal pension plans.	Maximum of 7% of notional earnings cap.

Directors' Remuneration Report

continued

Scenario charts

The following set out the potential remuneration payments for the year ended 31 March 2015 under two scenarios (as there is no set maximum bonus, such a scenario cannot be shown):

- Minimum – assuming no bonus payment due to group profits being below the thresholds.
- Market expectations – based on profit before tax and exceptional items of £19.4 million, being the estimate of the company broker (prior to the issue of this annual report).

As no element of remuneration is linked to performance measures in excess of one year, only fixed and annual variable elements have been shown.

Recruitment policy

In the event of the recruitment of a new executive director, the remuneration package would reflect the policy set out above. There have been no instances where additional upfront payments have been required to obtain the services of a director; however, discretion may be applied in this area.

Non-executive director remuneration

The fees paid to non-executive directors are set out in the annual report on directors' remuneration and are set by reference current levels in the marketplace. Non-executive directors do not receive other benefits, or participate in the company's bonus schemes nor are they eligible to join a company pension scheme.

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 contain any provision for predetermined compensation in the event of termination. The date of contracts currently in place for the executive directors is 1 April 2014. 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.

Annual Report on Directors' Remuneration

Directors' remuneration during the year (subject to audit)

The directors' remuneration for the year ended 31 March 2014 is set out in the table below.

	Salary/fees		Benefits		Performance related bonus		Pension contributions		Total remuneration	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
B. J. Cooke	89	86	5	5	69	53	—	—	163	144
D. J. Gawthorpe	237	230	11	10	123	91	9	10	380	341
S. J. Mant	165	160	11	10	123	91	9	10	308	271
M. A. Lewis	178	173	11	10	123	91	9	10	321	284
G. Cooper	178	173	11	11	123	91	9	10	321	285
A. Vicary	178	160	11	10	123	91	9	10	321	271
G. B. Wainwright	34	33	—	—	—	—	—	—	34	33
C. P. King	31	30	—	—	—	—	—	—	31	30
A. N. Jones	31	30	—	—	—	—	—	—	31	30
	1,121	1,075	60	56	684	508	45	50	1,910	1,689

Directors' pension entitlements (subject to audit)

The pension contributions set out in the above table relate to company contributions into personal pension plans. The Castings P.L.C. Staff Pension and Life Assurance Scheme was closed to future accrual of benefits on 5 April 2009. The table below sets out the pension entitlement which would be paid annually on retirement based on service to the end of the company financial year for those directors who were members of the scheme.

Name of director	Age at year end	Directors' contributions in the year £	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 31/03/2014 £	Accumulated total accrued pension at 31/03/2013 £	Transfer value of accrued benefits 31/03/2014 £	Transfer value of accrued benefits 31/03/2013 £	Difference in transfer values less contributions £
D. J. Gawthorpe	52	—	1,341	—	—	51,011	49,670	627,594	617,939	9,655
M. A. Lewis	50	—	623	—	—	23,714	23,091	284,795	282,457	2,338
G. Cooper	60	—	756	—	—	28,748	27,992	468,692	455,143	13,549
		—	2,720	—	—	103,473	100,753	1,381,081	1,355,539	25,542

The accumulated accrued pension figures shown above are what would be paid annually on retirement based on service to the end of the financial year. No additional benefits are payable on early retirement.

Relative importance of spend on pay

The following table shows actual expenditure of the Group and change in spend between the current and previous financial years on remuneration paid to all employees compared to distributions to shareholders.

	2014 £000	2013 £000	Change £000	Change %
Remuneration of all employees	37,073	32,601	4,472	13.7%
Dividends to shareholders	5,654	5,384	270	5.0%

Chief Executive Officer remuneration

The total remuneration paid to the Chief Executive Officer for the last five years is as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Remuneration	380	341	370	289	184

The total remuneration (including performance bonus) paid to the Chief Executive Officer in the current year represents an increase of 11.4% compared to the prior period. The corresponding increase in average pay to all employees in the same period is, on average, 8.9%.

Directors' Remuneration Report

continued

Directors' shareholdings (subject to audit)

The directors' interests in the ordinary share capital of the company (including the interest of connected persons) are set out in the Directors' Report on page 11.

Total shareholder return performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index — Engineering sub-sector, also measured by total shareholder return. This index has been selected for this comparison because this is the most relevant index in which the company's shares are quoted.

Statement of Directors' Responsibilities

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.

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 company's affairs as at 31 March 2014 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, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Castings P.L.C. for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the company balance sheet 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).

Our assessment of risks of material misstatement and an overview of the scope of our audit

We identified the following risks that we believe have had the greatest impact on our audit strategy and scope:

- Revenue recognition. For two of the three significant components within the group we performed audit procedures to understand and test the design and operating effectiveness of controls established by management over the completeness, accuracy and existence of sales recording. For the other component we performed substantive procedures on individual transactions to test the completeness and accuracy of sales recording. For all components we also selected a sample of trade debtors and agreed to after date cash receipts and / or to confirmation of the receipt of goods from the customer as part of our testing of the existence of revenue and trade debtors. We performed sales cut-off procedures on sales and dispatch documentation prior to and post the year end which included agreement to customer signed delivery notes and ensuring revenue was recognised appropriately. We also reviewed after-date credit notes and rebates to ensure completeness of the sales provision. Finally we reviewed the appropriateness of the revenue recognition policy compared to the requirements of accounting standards and that the policy was being complied with.
- Valuation of inventory. The group uses a standard cost approach to valuing inventories throughout the year and then ensures that this standard cost is materially correct by comparison to actual costs calculated from production and cost records for the month of March which is considered to be the period when year-end stocks are

manufactured. We performed audit procedures to understand the method for calculating standard and actual costs to ensure that the calculations performed were based on underlying management information and also checked the arithmetic accuracy of the calculations within the standard and actual cost calculations. As part of this work we performed sample tests on the inputs to the calculation and we challenged management on the key assumptions and estimates (such as percentage of inclusion of overheads and the impact of use of subcontractors) which are contained within the calculations.

- Risk of management override of internal controls. We performed specific audit procedures on all areas of the financial statements that involved the use of significant management judgement and estimation. These areas include but were not restricted to: provision for doubtful debts, warranty provision, accruals and inventory valuation. For doubtful debt provisions we ensured that the debts provided had not been collected subsequent to the year end and that there was specific objective evidence to support the debt provisions made. In respect of the warranty provision we reviewed customer contracts to ensure that there was an obligation to recognise a liability, checked that the basis of calculation was appropriate and arithmetically correct and compared the estimate of expected future warranty costs to historical patterns. We agreed material accruals to supporting audit evidence and checked that there was reasonable basis for recognising a liability, including reviewing after-date information where available. Our work on inventory valuation is described above. In addition to these matters connected to management override of controls we note that two members

of the senior management team at a significant component are related. As part of our response to this particular matter we extended our audit procedures to include: understanding the procedures adopted by those charged with governance to assess the procedures implemented by the group's executive directors to mitigate this risk, testing the robustness of the independent review of the financial records of this component performed by the group finance director and examining revenue recognition, significant transactions, accounting estimates, judgments and journals made by component management for evidence of management override of controls.

- Pension scheme receivables. There are material receivables recorded within other debtors due from the two final salary pension schemes in respect of payments to pensioners and pension administration costs paid by the group on behalf of the schemes. We obtained written confirmation of the balance due from the schemes to the group and the intention and ability to repay all funds from the trustees of the schemes. We considered, by review of the accounts of the pensions schemes, whether the schemes had sufficient assets to make repayment of the loan amounts. We obtained representations from the directors for the reasons that significant funds had been advanced to the schemes without short term repayment and their intention to recover the receivable balances from the schemes. We also requested that the directors obtain confirmation from an appropriate legal advisor that the loans were appropriate in accordance with the pension schemes rules and did not contravene pension or corporate laws and regulations. We reviewed the disclosure of these matters in the financial statements.

To the extent that they consider appropriate, the Audit and Risk Committee's consideration of these risks and other risks facing the group is set out on page 16.

Purpose of this report

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 auditor

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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We define planning materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined planning materiality for the group financial statements as a whole to be £1,374,000 and based this assessment at a level of 1% of the Group's revenue. On the basis of our risk assessments and our assessment of the control environment, our judgment was that performance materiality for the audit should be set at 75% of materiality - being £1,030,000. Our objective in adopting these levels of materiality is to ensure that our audit procedures were designed to select appropriate sample sizes for detailed testing work performed, that our analytical review procedures were performed at an appropriate level and to reduce to an appropriately low level the probability that detected and undetected misstatements do not exceed our materiality of £1,374,000 for the financial statements as a whole. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £27,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditors' Report to the Members of Castings P.L.C.

continued

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 strategic report and 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

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

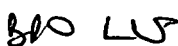
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 15, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.



Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP
Statutory auditor
Birmingham
United Kingdom
11 June 2014

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 2014

	Notes	2014 £000	2013 £000
Revenue	2	137,466	122,215
Cost of sales		(101,424)	(90,479)
Gross profit		36,042	31,736
Distribution costs		(2,722)	(1,553)
Administrative expenses			
Excluding exceptional		(12,034)	(11,481)
Exceptional	4	363	149
Total administrative expenses		(11,671)	(11,332)
Profit from operations	3	21,649	18,851
Finance income	7	184	306
Profit before income tax		21,833	19,157
Income tax expense	8	(4,575)	(4,371)
Profit for the year attributable to equity holders of the parent company		17,258	14,786
Other comprehensive income for the year:			
Items that will not be reclassified to profit and loss:			
Net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes	6	(3,872)	(138)
Tax effect of items that will not be reclassified		853	—
		(3,019)	(138)
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available-for-sale financial assets		28	4
Tax effect of items that may be reclassified		(6)	(1)
		22	3
Total other comprehensive losses for the year (net of tax)		(2,997)	(135)
Total comprehensive income for the year attributable to the equity holders of the parent company		14,261	14,651
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	10	39.55p	33.89p

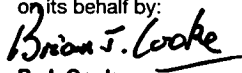
Notes to the accounts are on pages 31 to 50.

Consolidated Balance Sheet

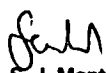
31 March 2014

	Notes	2014 £000	2013 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	65,195	61,676
Financial assets	12	522	494
		65,717	62,170
Current assets			
Inventories	13	12,621	10,642
Trade and other receivables	14	32,753	33,326
Other current interest-bearing deposits		—	5,000
Cash and cash equivalents		27,780	18,654
		73,154	67,622
Total assets		138,871	129,792
LIABILITIES			
Current liabilities			
Trade and other payables	15	21,076	19,686
Current tax liabilities		2,615	2,950
		23,691	22,636
Non-current liabilities			
Deferred tax liabilities	16	4,271	5,058
Total liabilities		27,962	27,694
Net assets		110,909	102,098
Equity attributable to equity holders of the parent company			
Share capital	17	4,363	4,363
Share premium account		874	874
Other reserve		13	13
Retained earnings		105,659	96,848
Total equity		110,909	102,098

The accounts on pages 27 to 50 were approved and authorised for issue by the board of directors on 11 June 2014, and were signed on its behalf by:


B. J. Cooke

Chairman


S. J. Mant

Finance Director

Notes to the accounts are on pages 31 to 50.

Consolidated Cash Flow Statement

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Cash flows from operating activities			
Profit before income tax		21,833	19,157
Adjustments for:			
Depreciation		6,046	7,416
Loss/(profit) on disposal of property, plant and equipment		94	(19)
Finance income		(184)	(306)
Excess of employer pension contributions over income statement charge		(3,872)	(138)
Increase in inventories		(1,979)	(1,332)
Decrease/(increase) in receivables		573	(3,135)
Increase in payables		1,390	823
Cash generated from operating activities		23,901	22,466
Tax paid		(4,850)	(4,925)
Interest received		162	285
Net cash generated from operating activities		19,213	17,826
Cash flows from investing activities			
Dividends received from listed investments		22	21
Purchase of property, plant and equipment		(9,668)	(6,865)
Proceeds from disposal of property, plant and equipment		9	19
Transfer from/(to) other current interest-bearing deposits		5,000	(5,000)
Proceeds from disposal of financial assets		—	5
Net cash used in investing activities		(4,637)	(11,820)
Cash flow from financing activities			
Dividends paid to shareholders		(5,450)	(5,157)
Net cash used in financing activities		(5,450)	(5,157)
Net increase in cash and cash equivalents		9,126	849
Cash and cash equivalents at beginning of year		18,654	17,805
Cash and cash equivalents at end of year	19	27,780	18,654
Cash and cash equivalents:			
Short-term deposits		27,113	18,263
Cash available on demand		667	391
		27,780	18,654

Notes to the accounts are on pages 31 to 50.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2014

	Equity attributable to equity holders of the parent				Total equity £000
	Share capital ^{a)} £000	Share premium ^{b)} £000	Other reserve ^{c)} £000	Retained earnings ^{d)} £000	
At 1 April 2013	4,363	874	13	96,848	102,098
Total comprehensive income for the period ended 31 March 2014	—	—	—	14,261	14,261
Dividends (see note 9)	—	—	—	(5,450)	(5,450)
At 31 March 2014	4,363	874	13	105,659	110,909

	Equity attributable to equity holders of the parent				Total equity £000
	Share capital ^{a)} £000	Share premium ^{b)} £000	Other reserve ^{c)} £000	Retained earnings ^{d)} £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 (see note 9)	—	—	—	(5,157)	(5,157)
At 31 March 2013	4,363	874	13	96,848	102,098

- 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 2014 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.

New standards effective and adopted by the group in the year

IAS 1 Presentation of Items in Other Comprehensive Income (Amendments to IAS 1) introduces grouping of items in other comprehensive income. Items that may be reclassified to profit and loss in subsequent years are presented separately from items that will never be reclassified.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R) includes a number of amendments to the accounting for defined benefit pension schemes, including actuarial gains and losses are now required to be recognised in the statement of comprehensive income and excluded permanently from profit and loss; expected returns on plan assets will no longer be recognised in profit or loss. Expected

returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation; and unvested past service costs can no longer be deferred and recognised over the future vesting period. Instead, all past service costs will be recognised at the earlier of when the amendment/curtailment occurs or when the entity recognises related restructuring or termination costs. The transition to IAS 19R has had no impact on the group balance sheet position as actuarial gains and losses were previously reflected within other comprehensive income and the impact on the amounts included within profit and loss or statement of comprehensive income are not considered material so no prior year restatement has been made (see note 6).

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 IAS19R Employee Benefits the employer's

portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the net interest also being charged/credited to operating profit subject to the asset ceiling. Actuarial gains and losses are recognised in other comprehensive income and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method.

Where 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.

Notes to the Accounts

continued

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates 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 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 actual 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 has 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.

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.

- IFRS 9 'Financial Instruments';
- IFRS 10 'Consolidated Financial Statements' (1 January 2014); and
- IFRS 12 'Disclosures of Interests in Other Entities'.

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 P.L.C. and William Lee Limited are aggregated into Foundry operations and CNC Speedwell Limited is the Machining operation.

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2014:

	Foundry operations £000	Machining £000	Elimination £000	Total £000
Revenue from external customers	119,893	17,573	—	137,466
Inter-segmental revenue	23,070	13,915	—	36,985
Segmental result	16,225	5,187	—	21,412
Unallocated costs:				
Exceptional credit for recovery of Icelandic Bank deposits previously written off				363
Defined benefit pension cost				(126)
Finance income				184
Profit before income tax				21,833
Total assets	121,153	30,529	(12,811)	138,871
Non-current asset additions	3,531	6,137	—	9,668
Depreciation	3,031	3,015	—	6,046

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 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
Defined benefit pension credit				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.

	2014 £000	2013 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	44,824	42,353
Sweden	28,391	23,893
Netherlands	19,448	19,024
Rest of Europe	39,444	31,520
North and South America	3,182	4,042
Other	2,177	1,383
	137,466	122,215

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 £33,748,000, £16,158,000 and £15,600,000 from three customers (2013 – £28,932,000, £16,638,000 and £12,667,000).

2 Operating segments continued

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
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Notes to the Accounts

continued

3 Profit from operations

	2014 £000	2013 £000
This has been arrived at after charging/(crediting):		
Staff costs (note 5)	41,102	35,831
Cost of inventories recognised as an expense	56,642	57,765
Depreciation of property, plant and equipment	6,046	7,416
Fees payable to the company's auditors for the audit of the company's annual accounts	26	25
Fees payable to the company's auditors for other services:		
— The audit of the company's subsidiaries	30	26
— Tax compliance services	9	10
Loss/(profit) on disposal of property, plant and equipment	94	(19)

4 Exceptional items

	2014 £000	2013 £000
Recovery of past provision for losses on deposits with Icelandic banks	(363)	(149)
	(363)	(149)

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 £3.26 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

	2014	2013
Average number of employees during the year was:		
Production	994	950
Management and administration	105	102
	1,099	1,052
	2014 £000	2013 £000
Staff costs (including directors) comprise:		
Wages and salaries	36,262	31,841
Defined contribution pension costs	811	760
Defined benefit pension cost/(credit) (note 6)	126	(138)
Employer's national insurance contributions and similar taxes	3,903	3,368
	41,102	35,831

In addition to the wages and salaries disclosed above, the group incurred costs of £1,145,000 (2013 – £296,000) in respect of agency workers.

The directors represent the key management personnel. Details of their compensation are given in the Remuneration Report on page 21.

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 order to help optimise the return on assets held by the pension schemes, the pension and administration costs incurred by the schemes are paid by the company. The net amount due from the schemes (being payments made less repayments received from the schemes) are subject to repayment at the demand of the company and recorded as amounts receivable from pension schemes in the group and company accounts (notes 14 and 7 respectively). The amounts are recorded as payable by the schemes and shown as a reduction to asset values in the pension disclosures set out below.

The pension schemes are related parties of the company and during the year £1,948,000 (2013 - £1,559,000) was paid by the company on behalf of the schemes in respect of pension payments and administration costs. The company also paid £3,998,000 (2013 - £nil) in additional contributions to the schemes. There are no funding arrangements in place that would impact on future contributions.

The schemes made repayments to the company during the year of £3,998,000 (2013 - £nil) with the balance due from the schemes to the company at 31 March 2014 being £3,431,000 (2013 - £5,481,000).

In addition, the group made contributions to individual members' Group Personal Pension Plans during the year.

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 2014 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):

	2014	2013
Rate of increase of pensions in payment	2.6%	2.6%
Discount rate	4.5%	4.2%
Inflation assumption (RPI)	3.3%	3.3%
Inflation assumption (CPI)	2.6%	2.6%

Notes to the Accounts

continued

6 Pensions continued

	2014 £000	2013 £000
Change in benefit obligation		
Benefit obligation at beginning of year	48,748	42,295
Current service cost	—	—
Past service cost	—	—
Interest cost on defined benefit obligation	2,011	2,040
Member contributions	—	—
Actuarial (gain)/loss – financial assumptions	(2,439)	5,753
Benefits paid	(1,738)	(1,340)
Benefit obligation at end of year	46,582	48,748
Change in plan assets		
Fair value of plan assets at beginning of year	55,403	49,063
Interest income on plan assets	2,374	2,371
Return on plan assets greater than discount rate	1,341	5,527
Employer contribution	3,998	—
Member contributions	—	—
Administrative expenses	(209)	(218)
Benefits paid	(1,738)	(1,340)
Fair value of plan assets at end of year	61,169	55,403
Funded status	14,587	6,655
Unrecognised pension surplus (asset ceiling)	(14,587)	(6,655)
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 2014 £000	Year to 31 March 2013 £000
Components of pension cost		
Current service cost	—	—
Recognition of past service cost	—	—
Interest cost on defined benefit obligation	2,011	2,040
Interest income on plan assets	(2,374)	(2,371)
Interest expense on effect of asset ceiling on unrecognised surplus	280	331
Total net interest cost	(83)	—
Administrative expenses	209	218
Total pension cost recognised within administrative expenses (note 5)	126	218
Actuarial (gain)/loss – financial assumptions	(2,439)	5,753
Return on plan assets greater than discount rate	(1,341)	(5,527)
Changes in asset ceiling on unrecognised surplus	7,652	(444)
Pension cost shown in statement of comprehensive income	3,872	(218)
Total defined benefit cost recognised in the year	3,998	—

Under IAS19 (Revised 2011) the total pension cost recognised within administrative expenses and the net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes for the year ended 31 March 2013 is a charge of £218,000 and a credit of £218,000 respectively as set out above. The Consolidated Statement of Comprehensive Income for 2013 has not been restated to reflect these amounts on the basis that such adjustments are not considered to be material. As a result the total pension cost recognised within administrative expenses for 2013 remains as a credit of £138,000 as shown in note 5 and a charge of £138,000 to other comprehensive income.

6 Pensions continued

Defined benefit obligation by participant category

	31 March 2014 £000	31 March 2013 £000
Participant category		
Active participants	—	—
Deferred participants	27,247	28,227
Pensioners	19,335	20,521
	46,582	48,748

Plan assets

Investments of the defined benefit schemes are diversified, such that failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets are invested in equities, although the schemes also invest in other assets including debt securities and managed property. The asset allocations at the year end were as follows:

	Plan assets at 31 March 2014 £000	Plan assets at 31 March 2013 £000
Assets category		
Equities	42,207	37,120
Bonds	17,127	16,621
Real estate	1,835	1,662
	61,169	55,403

The equities are invested in UK equity index (62%), World equity index (33%) and Europe equity index (5%). Within the bond asset category, the risk is concentrated in over 15 year gilts and active corporate bond over 10 year which comprise 75% of the bond asset allocation.

In determining the appropriate discount rate, 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 projected pension cost for the year ending 31 March 2015 is £214,000.

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

	2014		2013	
	Male Staff/ Shopfloor	Female Staff/ Shopfloor	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	23.7/22.9	26.6/25.8	23.6/22.8	26.5/25.7
Scheme member age 45 (life expectancy at age 65)	25.8/24.9	28.6/27.7	25.7/24.8	28.5/27.6

* Mortality tables are S1NA (YOB) Long Cohort Projections with a 1% underpin have been used for both schemes, with a -1 age rating applied to the Staff scheme.

Notes to the Accounts

continued

6 Pensions continued

Sensitivities

The calculations of the defined benefit obligations are sensitive to the assumptions set out on pages 37 to 39. The following table sets out the estimated impact of a change in the assumptions on the defined benefit obligation at 31 March 2014, while holding all other assumptions constant. The sensitivity analysis may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of another as some of the assumptions may be correlated.

	£000
Increase in defined benefit obligation as a result of:	
Reduction in the discount rate of 0.25%	2,232
Increase in inflation of 0.25%	1,550
One year increase in life expectancy	1,205

Maturity profile of defined benefit obligation

	31 March 2014 £000	31 March 2013 £000
Expected benefit payments during		
Year 1	1,769	1,381
Year 2	1,800	1,402
Year 3	1,832	1,424
Year 4	1,864	1,445
Year 5	1,897	1,467
Years 6 – 10	10,005	7,672

The maturity profile shown above is not the full maturity profile but that of the next ten years, based on an analysis of the present value of the defined benefit obligation.

The weighted average duration of the defined benefit obligation of the schemes is 16 years.

7 Finance income

	2014 £000	2013 £000
Interest on short-term deposits	162	285
Income from listed investments	22	21
	184	306

8 Income tax

	2014 £000	2013 £000
Corporation tax based on a rate of 23% (2013 – 24%)		
UK corporation tax		
Current tax on profits for the year	5,007	5,075
Adjustments to tax charge in respect of prior periods	(184)	(184)
	4,823	4,891
Deferred tax		
Current year origination and reversal of temporary differences	145	(300)
Prior year deferred tax movement	307	12
Change in rate of corporation tax	(700)	(232)
	(248)	(520)
Taxation on profit on ordinary activities	4,575	4,371
Profit on ordinary activities before tax	21,833	19,157
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 – 24%)	5,022	4,598
Effect of:		
Expenses not deductible for tax purposes	101	210
Adjustment to tax charge in respect of prior periods	(184)	(184)
Adjustment to deferred tax charge in respect of prior periods	307	12
Change in rate of future tax	(700)	(232)
Pension adjustments	29	(33)
Total tax charge for period	4,575	4,371
Effective rate of tax (%)	21.0	22.7

A reduction in the UK corporation tax rate from 24% to 23% was substantively enacted in July 2012 and was effective from 1 April 2013. Further reductions from 23% to 21% and 21% to 20% were substantively enacted in July 2013 and will be effective from 1 April 2014 and 1 April 2015 respectively. Accordingly, the substantively enacted rate of 20% has been applied in the measurement of the group's deferred tax assets and liabilities at 31 March 2014.

9 Dividends

	2014 £000	2013 £000
Final paid of 9.36p per share for the year ended 31 March 2014 (2013 – 8.84p)	4,084	3,857
Interim paid of 3.13p per share (2013 – 2.98p)	1,366	1,300
	5,450	5,157

The directors are proposing a final dividend of 9.83 pence (2013 – 9.36 pence) per share totalling £4,288,160 (2013 – £4,083,962). 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 £17,258,000 (2013 – £14,786,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2013 – 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
Cost			
At 1 April 2013	30,083	103,100	133,183
Additions during year	867	8,801	9,668
Disposals	—	(1,531)	(1,531)
At 31 March 2014	30,950	110,370	141,320
Depreciation and amounts written off			
At 1 April 2013	4,625	66,882	71,507
Charge for year	775	5,271	6,046
Disposals	—	(1,428)	(1,428)
At 31 March 2014	5,400	70,725	76,125
Net book values			
At 31 March 2014	25,550	39,645	65,195
At 31 March 2013	25,458	36,218	61,676
Cost			
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	30,083	103,100	133,183
Depreciation and amounts written off			
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	4,625	66,882	71,507
Net book values			
At 31 March 2013	25,458	36,218	61,676
At 31 March 2012	25,349	36,877	62,226

The net book value of group land and buildings includes £2,527,000 (2013 – £2,527,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2013 – £359,000).

12 Financial assets

	2014 £000	2013 £000
Available-for-sale assets	522	494
	2014 £000	2013 £000
At 1 April 2013	494	495
Disposals	—	(5)
Net gains transferred to statement of comprehensive income	28	4
At 31 March 2014	522	494

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

	2014 £000	2013 £000
Raw materials	2,478	2,730
Work in progress	4,207	2,920
Finished goods	5,936	4,992
	12,621	10,642

Inventories are net of impairment provisions of £216,000 (2013 – £235,000).

14 Trade and other receivables

	2014 £000	2013 £000
Due within one year:		
Trade receivables	26,658	24,895
Other receivables	1,144	945
Receivable from pension schemes (see note 6)	3,431	5,481
Prepayments	1,520	2,005
	32,753	33,326

15 Trade and other payables

	2014 £000	2013 £000
Current trade and other payables:		
Trade payables	12,864	11,687
Social security	2,175	1,731
Other payables	433	614
Accruals	5,604	5,654
	21,076	19,686

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 future years of 20% (2013 – 23%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2014 £000	2013 £000
At 1 April 2013	5,058	5,577
(Credited)/charged to other comprehensive income	(539)	1
Credited to profit	(248)	(520)
At 31 March 2014	4,271	5,058

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 2013	5,160	(102)	5,058
Credited to profit	(305)	57	(248)
Credited to other comprehensive income	—	(539)	(539)
At 31 March 2014	4,855	(584)	4,271

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

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

The deferred tax (credited)/charged to other comprehensive income during the year is as follows:

	2014 £000	2013 £000
Tax on change in fair value of available-for-sale financial assets	6	1
Tax on change in pension scheme	(545)	1
Tax on items taken directly to other comprehensive income	(539)	1

17 Share capital

	2014 £000	2013 £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 or new share issues, the group considers not only its short-term position but also its long-term operational and strategic objectives.

18 Commitments

	2014 £000	2013 £000
Capital commitments contracted for by the group but not provided for in the accounts	3,047	2,571

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	
	2014 £000	2013 £000
Current financial assets		
Trade receivables	26,658	24,895
Other receivables	4,575	945
Cash and cash equivalents	27,780	18,654
Other interest-bearing deposits	—	5,000
Total current financial assets	59,013	49,494

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	
	2014 £000	2013 £000
Current financial liabilities		
Trade payables	12,864	11,687
Other payables	433	614
Accruals	5,604	5,654
Total current financial liabilities	18,901	17,955

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 2014, trade receivables of £26,418,000 (2013 – £24,628,000) 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 2014 trade receivables of £240,000 (2013 – £267,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2014 £000	2013 £000
30–60 days	–	3
60–90 days	25	25
90+ days	215	239
	240	267

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:

	2014 £000	2013 £000
Opening balance	488	385
(Decrease)/increase in provisions	(147)	103
Written off against provisions	(22)	–
Recovered amounts reversed	–	–
Closing balance	319	488

Impairment losses on trade receivables of £169,000 (2013 – £103,000) 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 deposits. 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 (2013 – £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 euros with a sterling value of £2,086,000 (2013 – £2,030,000). 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 (2013 – £1.9 million) were unused and available to the group to enable it to enter into forward exchange contracts.

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

	Floating rate assets 2014 £000	Fixed rate assets 2014 £000	Interest-free assets 2014 £000	Total 2014 £000
Sterling	5	26,293	23,691	49,989
US\$	54	—	185	239
Euro	653	774	2,783	4,210
	712	27,067	26,659	54,438

	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
	2,298	21,356	24,895	48,549

Notes to the Accounts

continued

19 Financial instrument risk exposure and management continued

	Interest-free liabilities 2014 £000	Interest-free liabilities 2013 £000
Sterling	11,665	9,471
US\$	—	—
Euro	1,199	2,216
	12,864	11,687

Fixed rate assets attracted interest rates between 0.50% to 1.25% (2013 – 0.75% to 3.15%) 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 £121,000/(£121,000) (2013 – £96,000/(£96,000)).

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 £133,000/(£146,000) (2013 – £157,000/(£174,000)).

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	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Trading results					
Revenue	137,466	122,215	126,271	105,368	60,649
Profit before tax	21,833	19,157	23,093	15,501	9,804
Profit after tax	17,258	14,786	17,591	11,652	7,638
Dividends paid	5,450	5,157	4,778	4,363	4,363
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	106,546	97,735	88,241	75,752	68,872
Total equity	110,909	102,098	92,604	80,115	73,235
Assets					
Property, plant and equipment	65,195	61,676	62,226	55,889	51,596
Financial assets	522	494	495	467	480
Deferred tax asset	—	—	—	—	—
	65,717	62,170	62,721	56,356	52,076
Current assets	73,154	67,622	57,306	56,065	41,685
Total liabilities	(27,962)	(27,694)	(27,423)	(32,306)	(20,526)
	110,909	102,098	92,604	80,115	73,235
Dividends and earnings					
Pence per share declared	12.96	12.34	11.75	10.75	10.0
Number of times covered (dividend paid)	3.2	2.9	3.7	2.7	1.7
Earnings per share — basic and diluted	39.55p	33.89p	40.32p	26.71p	17.51p

Parent Company Accounts Under UK GAAP

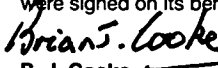
The company has elected to prepare its financial statements under UK GAAP

Parent Company Balance Sheet

31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	4	15,968	15,019
Investments	5	5,803	5,775
		21,771	20,794
Current assets			
Stocks	6	8,168	6,356
Debtors	7	26,603	27,363
Deposits		18,372	15,828
Cash at bank and in hand		150	131
		53,293	49,678
Creditors — amounts falling due within one year	8	15,308	12,942
Net current assets		37,985	36,736
Total assets less current liabilities		59,756	57,530
Deferred taxation	9	—	(309)
		59,756	57,221
Capital and reserves			
Called up share capital	10	4,363	4,363
Share premium	11	874	874
Other reserve	11	13	13
Retained earnings	11	54,506	51,971
Shareholders' funds		59,756	57,221

The parent company accounts on pages 52 to 57 were approved and authorised for issue by the board of directors on 11 June 2014, and were signed on its behalf by:



B. J. Cooke **S. J. Mant**
Chairman Finance Director

Notes to the accounts are on pages 53 to 57.

Notes to the Parent Company Accounts

The Directors' Report is on pages 11 to 13 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 at 2%
- Plant and other equipment between 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 actual 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 11 to 13 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 P.L.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 £7,957,000 (2013 – £11,038,000).

The profit and loss account includes £26,000 (2013 – £25,000) for audit fees.

3 Dividends

	2014 £000	2013 £000
Final paid of 9.36p per share for the year ended 31 March 2013 (2013 – 8.84p)	4,084	3,857
Interim paid of 3.13p per share (2013 – 2.98p)	1,366	1,300
	5,450	5,157

The directors are proposing a final dividend of 9.83 pence (2013 – 9.36 pence) per share totalling £4,288,160 (2013 – £4,083,962). 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
Cost			
At 1 April 2013	15,907	24,735	40,642
Additions during year	281	1,587	1,868
Disposals	—	(70)	(70)
At 31 March 2014	16,188	26,252	42,440
Depreciation and amounts written off			
At 1 April 2013	2,614	23,009	25,623
Charge for year	281	634	915
On Disposals	—	(66)	(66)
At 31 March 2014	2,895	23,577	26,472
Net book values			
At 31 March 2014	13,293	2,675	15,968
At 31 March 2013	13,293	1,726	15,019

The net book value of land and buildings includes £2,127,000 (2013 – £2,127,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2013 – £359,000).

Notes to the Parent Company Accounts

continued

The Directors' Report is on pages 11 to 13 of the Annual Report and Accounts

5 Investments

	2014 £000	2013 £000
Subsidiary companies		
At cost	5,281	5,281
Listed investments at market value	522	494
	5,803	5,775

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 £nil (2013 – £5,000) and the change in fair value taken to equity is £nil (2013 – £4,000).

6 Stocks

	2014 £000	2013 £000
Raw materials	879	916
Work in progress	3,051	2,246
Finished goods	4,238	3,194
	8,168	6,356

7 Debtors

	2014 £000	2013 £000
Due within one year:		
Trade debtors	17,783	15,498
Amounts receivable from subsidiary companies	3,688	4,477
Other debtors	1,143	944
Amounts receivable from pension schemes (see note 6 of group accounts)	3,431	5,481
Prepayments and accrued income	460	963
Deferred taxation	98	—
	26,603	27,363

8 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Due within one year:		
Trade creditors	6,027	4,673
Amounts owed to subsidiary companies	3,563	2,457
Corporation tax	1,436	1,752
Other taxation and social security	1,057	787
Other creditors	218	434
Accruals and deferred income	3,007	2,839
	15,308	12,942

9 Deferred taxation

	2014 £000	2013 £000
Deferred taxation		
At 1 April 2013	309	594
Taxation deferred this year	(407)	(285)
At 31 March 2014	(98)	309
Deferred tax is provided as follows:		
Accelerated capital allowances	435	326
Other timing differences	(533)	(17)
	(98)	309

10 Called up share capital

	2014 £000	2013 £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 2013	4,363	874	13	51,971	57,221
Profit retained	—	—	—	2,507	2,507
Changes in fair value of investments	—	—	—	28	28
At 31 March 2014	4,363	874	13	54,506	59,756

12 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Profit for the year	7,957	11,038
Changes in fair value of investments	28	4
Dividends	(5,450)	(5,157)
Net increase in shareholders' funds	2,535	5,885
Opening shareholders' funds	57,221	51,336
Closing shareholders' funds	59,756	57,221

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 £3,998,000 (2013 – £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 group accounts.

14 Capital commitments

	2014 £000	2013 £000
Authorised, but not provided in the accounts	325	—

Notice of Meeting

Notice is hereby given that the one hundred and seventh Annual General Meeting of Castings P.L.C. (the 'Company') will be held at Holiday Inn, Birmingham M6, Junc. 7, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on 19 August 2014 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 2014.
- 2 To declare a final dividend.
- 3 To re-elect S. J. Mant as a director.
- 4 To re-elect G. B. Wainwright as a director.
- 5 To re-elect C. P. King as a director.
- 6 To approve the remuneration policy.
- 7 To approve the directors' remuneration report for the year ended 31 March 2014.
- 8 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 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions.

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

As an ordinary resolution

9 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 18 August 2019 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 13 August 2013, which authorities are accordingly hereby revoked;
- (d) this authority will be put to annual shareholder approval.

As special business

As special resolutions

- 10 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 9 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.

- 11 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 2014;
- (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 11 July 2014. Assuming the final dividend is approved by the members, the dividend will be paid on 22 August 2014.

Information about the meeting can be found on the Company's website (www.castings.plc.uk). The right to vote at the meeting is determined by reference to the register of members as it stands on 15 August 2014. 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
11 June 2014

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 Asset Services, 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

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

Registrars

Capita Asset Services
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

Capital gains tax

The official price of Castings P.L.C. 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 then 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

Website

Castings P.L.C.'s website www.castings.plc.uk gives additional information on the group. Notwithstanding the references we make in this Annual Report to Castings P.L.C.'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.