

Bulk  
91580

# **CASTINGS P.L.C.**

**Annual Report 2003**



# Directors and Officers

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## Directors

B. J. Cooke, AdvDipNFC, MIBritF *Chairman and Managing Director*  
A. J. Smith, MIBritF, IEng *Executive Director*  
J. C. Roby, FCA *Finance Director*  
T. Woodhouse, CEng, MIMechE, MiGasE, FIBF *Executive Director*  
C. P. King, FCA *Non-executive*  
G. B. Wainwright, MIMgt, MIEEx, FRSA *Non-executive*  
D. J. Gawthorpe, BSc (Hons), MIBritF *Executive Director*  
M. A. Lewis *Managing Director, CNC Speedwell Ltd*

## Secretary and Registered Office

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

## Registrars

Capita Registrars  
The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent, BR3 4TU  
Tel: 0870 162 3100  
Fax: 020 8658 3430

## Auditors

R. A. Lea & Co.  
Chartered Accountants  
123 High Street,  
Birmingham, B12 0JU

## Solicitors

Enoch Evans (incorporating Kenneth Cooke & Co.)  
St Paul's Chambers,  
6/9 Hatherton Road,  
Walsall,  
West Midlands, WS1 1XS

Pinsents  
3 Colmore Circus,  
Birmingham, B4 6BH

## Bankers

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

## Stockbrokers

Arbuthnot Securities  
Temple Court,  
35 Bull Street,  
Birmingham, B4 6ES

## Registered No.

91580

# Five Year Review

| For the years ended 31st March                            | 2003<br>£000  | 2002<br>£000  | 2001<br>£000  | 2000<br>£000  | 1999<br>£000  |
|---|---------------|---------------|---------------|---------------|---------------|
| Turnover  | 59,895        | 56,120        | 55,475        | 55,939        | 62,477        |
| Profit for the year before taxation and exceptional items | 9,746         | 9,894         | 10,726        | 10,756        | 11,863        |
| Exceptional items   | (4,052)       | —             | —             | (536)         | —             |
| Profit after taxation                                     | 4,145         | 6,991         | 7,533         | 7,220         | 8,127         |
| Dividends   | 3,573         | 3,423         | 3,269         | 3,123         | 2,970         |
| <b>Capital employed</b>                                   |               |               |               |               |               |
| Share capital   | 4,363         | 4,358         | 4,358         | 4,361         | 4,357         |
| Share premium account                                     | 874           | 832           | 790           | 748           | 710           |
| Reserves  | 51,497        | 50,925        | 47,411        | 44,386        | 40,289        |
| Deferred taxation   | 966           | 1,876         | 1,277         | 148           | 148           |
| Total capital employed                                    | <u>57,700</u> | <u>57,991</u> | <u>53,836</u> | <u>49,643</u> | <u>45,504</u> |
| <b>Represented by</b>                                     |               |               |               |               |               |
| Fixed assets  | 61,261        | 53,735        | 42,636        | 38,959        | 38,216        |
| Less aggregate depreciation                               | <u>29,194</u> | <u>25,325</u> | <u>23,251</u> | <u>21,010</u> | <u>18,782</u> |
| Fixed assets at net book value                            | 32,067        | 28,410        | 19,385        | 17,949        | 19,434        |
| Investments   | 704           | 704           | 704           | 694           | 695           |
| Net current assets  | <u>24,929</u> | <u>28,877</u> | <u>33,747</u> | <u>31,000</u> | <u>25,375</u> |
| Total net assets  | <u>57,700</u> | <u>57,991</u> | <u>53,836</u> | <u>49,643</u> | <u>45,504</u> |
| <b>Dividends and earnings</b>                             |               |               |               |               |               |
| Pence per share paid and proposed                         | 8.19          | 7.85          | 7.50          | 7.16          | 6.82          |
| Number of times covered                                   | 1.2           | 2.0           | 2.3           | 2.3           | 2.7           |
| Earnings per share — basic                                | 9.50p         | 16.05p        | 17.27p        | 16.56p        | 18.68p        |
| Earnings per share — adjusted excluding exceptional items | 16.00p        | 16.05p        | 17.27p        | 17.42p        | 18.68         |

# Chairman's Statement

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**Our profits are broadly similar to last year before the exceptional charge of £4.052m on turnover up from £56.12m to £59.89m.**

An interim dividend of 2.32 pence per share was paid in January 2003. Your board recommends a final dividend of 5.87 pence per share compared with 5.59 pence per share last year.

The results are again considered satisfactory against a background of increased depreciation charges arising from considerable capital expenditure, reduced investment income and at a time of a very difficult economic environment. We saw demand reducing somewhat towards the end of our year which, coupled with escalating raw material prices, stressed margins.

At our Brownhills and William Lee plants all major investments are now complete and these investments should be robust for at least 10 years. Both companies will continue to update with new coremaking and fettling machines.

CNC Speedwell have opened a new machining facility at Brownhills and a flexible manufacturing system is now under construction and will be operational within the next three months. This investment will enable us to be more competitive in certain types of machining and help us to contain costs.

It is pleasing to report exports have again increased to a record level of 51% of our total sales and it is felt this will continue to increase as more business is obtained in Europe.

At the present time order and schedule volumes are at a reduced level compared to last year but the market is very volatile so it is impossible to predict the year ahead with any certainty. We are prepared, however, for any upturn. It is frustrating that the company is confronted with many non-negotiable cost increases including insurance, rates and raw material prices that can seldom be passed on to our customers. These costs negate any productivity improvements we are continually making.

## Pensions

Much is being talked about in the press concerning pensions and the board consider the pension fund deficit arising from the latest actuarial valuation should be funded as a lump sum and this is shown as an exceptional item against the year's profit. This will help future competitiveness without increasing ongoing costs.

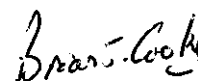
## Board Appointments

I am pleased to announce the appointment of David Gawthorpe and Mark Lewis to the board with effect from 1st July 2003. David, who is aged 42, will become Joint Managing Director at Castings Brownhills and Mark, who is aged 39, is the Managing Director at CNC Speedwell Ltd. These appointments will strengthen the board and provide continuity for the future.

In conclusion on behalf of the board, I would like to thank everyone at Castings, William Lee and CNC Speedwell for their contribution during the last financial year and in driving the business forward in difficult times.

B. J. COOKE  
Chairman

23rd May 2003



# Directors' Report

**The directors submit their Report and the Audited Accounts for the year ended 31st March 2003.**

## Trading activities

Castings P.L.C. supplies spheroidal graphite and malleable iron castings to a variety of manufacturing industries from its fully mechanised foundries at Brownhills. William Lee Limited supplies spheroidal graphite iron castings from Dronfield, Sheffield and CNC Speedwell Limited is a machinist operation. There were no significant changes in the principal activities of these companies during the year, which are considered to be one class of business only.

The progress of these companies during the year is recorded in the accounts and the chairman's statement on page 3.

## Profit and appropriations

An interim dividend of 2.32 pence per share was paid on 10th January 2003. The directors now recommend a final dividend of 5.87 pence per share payable on 15th August 2003, making a total distribution of 8.19 pence for the year.

The profit for the year and the proposed appropriations are set out in detail on page 11.

## Share capital

The movements in the share capital of the company during the year are shown in note 18 on page 19.

## Employee share schemes

Under the terms of the Executive Share Option Scheme the board has granted directors and senior employees options to purchase shares in the company.

There were no options outstanding under this scheme at 31st March 2003.

During the year, 50,000 shares were issued under the terms of the 1986 Executive Share Option Scheme. No options have yet been granted from the 1998 Share Savings Scheme or the 1998 Executive Share Option Schemes.

## Directors

The present directors of the company are listed on page 1 and their interests in the shares of the company in note 4 on the accounts.

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

T. Woodhouse — by rotation

D. J. Gawthorpe\*

M. A. Lewis\*

} — having been appointed since the last annual general meeting

The unexpired period of the contract of service for T. Woodhouse, D. J. Gawthorpe and M. A. Lewis is one year.

\* appointed with effect from 1st July 2003.

Paul King, FCA was appointed a non-executive director with effect from 1st January 1998. He retired from practice as a partner with Coopers & Lybrand and is a member of the Boards of Claverley Company, Thomas Walker plc and Gabriel & Co. Ltd. He is chairman of the audit committee. Gerard Wainwright was appointed on 1st May 1998 and has been chief executive of a wide range of manufacturing companies for over twenty years together with continuous international experience. He is chairman of Sealine International Limited. He is chairman of the remuneration committee.

The company benefits from their wide experience of manufacturing and other industries.

## Substantial shareholdings

The directors have been notified that the following investors, other than directors, held interests in 3% or more of the company's issued share capital at 31st March 2003 and 7th June 2003:

|                                | Number    | %    |
|--------------------------------|-----------|------|
| Hunter Hall Value Growth Trust | 5,235,761 | 12.0 |
| Aberforth                      | 2,080,000 | 4.8  |
| Britannic Assurance plc        | 2,000,000 | 4.6  |
| Hamstall Investments Inc.      | 1,800,000 | 4.1  |
| Caledonia Investments plc      | 1,346,526 | 3.1  |
| Legal & General Group plc      | 1,310,990 | 3.0  |

Between 31st March 2003 and 7th June 2003, Caledonia Investments plc sold 46,526 ordinary shares of the company, bringing their holding to less than 3%.

## Special business

There will be three 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 13th August 2002 and under Section 80 of the Companies Act must be renewed at least every 5 years. Authority will also be sought from shareholders to allow the directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital.

Both Authorities are to be for the period commencing on the date of passing of the Resolution until 11th August 2008. The proposed Resolutions are set out as Items 8 and 9 in the Notice of Meeting.

#### *Authority to purchase own shares*

At the Annual General Meeting in 2002, the board was given authority to purchase and cancel up to 6,532,952 of its own shares representing 14.99% 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, save that the authority is now sought 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 31st March 2003. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 10 on page 20. This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in earnings per share, and if it is in the best interests of the shareholders generally.

### **Fixed assets**

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

### **Employee involvement**

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

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

Share option schemes are in operation whereby options are granted to employees to purchase shares on special terms.

### **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.

### **Employment of disabled persons**

The group continues to give full and fair consideration to applications for employment made by registered disabled persons. If necessary, we endeavour to retrain any employee who

becomes disabled during the period of employment with the group.

### **Research and development**

Research and development facilities are an integral part of our manufacturing operations and accordingly any expenditure is not separately determinable.

### **Policy on payment of creditors**

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the company at the year end was 39 (2002: 37).

### **Auditors**

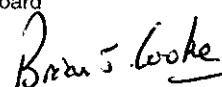
R. A. Lea & Co. have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors of the company will be submitted at the Annual General Meeting.

### **Capital gains tax**

For capital gains tax purposes the adjusted market value of the 10p ordinary shares in the company on 31st March 1982 was 4.92 pence.

By order of the board

B. J. COOKE  
Chairman



23rd May 2003

# Corporate Governance

## Going concern

The directors have a reasonable expectation that the group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Internal control

The Combined Code introduced a requirement that the directors review the effectiveness of the group's systems of internal controls. This extended the existing requirement in respect of internal financial controls to cover all controls including financial, operational and compliance controls and risk management.

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 guidance for directors on the Combined Code such that they fully comply with it for the accounting period ended on 31st March 2003.

## 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 company's auditors have reviewed the above statements in accordance with guidance issued by the Auditing Practices Board. The auditors have confirmed that the directors' comments on going concern and internal financial control are consistent with the information of which they are aware based on normal audit work on the accounts and have satisfied themselves that the statements appropriately reflect the company's compliance with the other paragraphs of the Combined Code specified for their review. They have not carried out the additional work necessary to, and do not, express an opinion on the effectiveness of the group's corporate governance procedures, nor the ability of the group to continue in operational existence.

## Environment

The board is committed to adopting policies, processes and procedures which will lead to the continual improvement in environmental performance.

Specifically the company is committed to:

- Implementing and maintaining an Environmental Management System in accordance with the ISO14001 standard.
- Establishing procedures to review the impact of current or new activities or processes on the environment.
- Reviewing audit results and to initiate 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 environmental legislation, 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 re-use, 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 to 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 interested parties.

## Board of directors

The board meets regularly to monitor the current state of business and to determine its future strategic direction. Throughout the year the board comprised four executive directors and two non-executive directors. The non-executive directors are independent of executive management and do not participate in share option or other executive remuneration schemes nor do they qualify for pension benefits.

## Board committees

The principal committees established by the directors are:

### Audit committee

This committee comprises the two 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.

#### Remuneration committee

As detailed in the remuneration report below.

#### Nomination committee

The board as a whole acts as this committee for the purpose of considering new board appointments.

#### 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.

#### Summary

The board takes its responsibilities seriously even though there are a number of the provisions of the Code with which it does not comply. 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.

Except as noted above, for the year ended 31st March 2003 the company complied with the Combined Code other than the following points:

- there are only two independent non-executive directors;
- the non-executive directors have non-specified term contracts;
- the chairman is also the chief executive;
- the chairman is not subject to re-election every three years.

These are considered appropriate in relation to the size of the company.

## Remuneration Report

The company has complied throughout the year under review with the Combined Code provisions concerning directors' remuneration.

Items marked \* have been subject to audit and reported on in the auditors' report on page 9.

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. In accordance with the regulations, a resolution will be proposed at the Annual General Meeting to receive and adopt the remuneration report for the financial year ended 31st March 2003.

#### Remuneration committee

This committee comprises the two 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.

#### Directors' Emoluments\*

|                  | Salaries | Fees | Benefits | Performance related bonus | 2003 Total | 2002 Total |
|------------------|----------|------|----------|---------------------------|------------|------------|
|                  | £000     | £000 | £000     | £000                      | £000       | £000       |
| B. J. Cooke      | 116      | —    | 13       | 45                        | 174        | 171        |
| A. J. Smith      | 106      | —    | 7        | 45                        | 158        | 157        |
| J. C. Roby       | 97       | —    | 10       | 45                        | 152        | 150        |
| T. Woodhouse     | 98       | —    | 11       | 45                        | 154        | 152        |
| C. P. King       | —        | 14   | —        | —                         | 14         | 14         |
| G. B. Wainwright | —        | 14   | —        | —                         | 14         | 14         |
|                  | 417      | 28   | 41       | 180                       | 666        | 658        |

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

No advice has been provided by external advisers or consultants.

#### Remuneration policy

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

Executive directors' emoluments comprise annual salary, an annual bonus, membership of a company pension scheme and other benefits. The committee ordinarily reviews directors' salaries annually, effective from 1st April, taking into account market rates and the performance of the individual and of the company. Policies for benefits (which include company cars and private

health insurance) are reviewed regularly and comparisons with other companies are made. Reports and published data are also taken into consideration in setting salary and benefit packages.

#### Remuneration in 2003

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

#### Annual bonus

Executive directors participate in a performance-related annual bonus scheme. Bonuses are payable based on the group obtaining profits before tax and exceptional items above a predetermined threshold. Details of annual bonuses payable in respect of 2003 are set out in the table below.

# Remuneration Report

## Share options\*

The company has in place the 1998 Executive Share Option Scheme but no share options have yet been granted under this discretionary scheme.

## Pension arrangements

Executive directors are members of the Castings P.L.C. Staff Pension and Life Assurance Scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The scheme provides for

a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age after 40 years' eligible service. Pension contributions are not paid on benefits and only paid on a capped element of bonuses which in aggregate totalled £26,000 in the year.

## Directors' pension entitlements\*

|              | Age at year end | Directors' contributions in the year (note 1) | Increase in accrued pension during the year (note 2) | Increase in accrued pension during year excluding any increase for inflation (note 2) | Transfer value of increase less directors' contributions | Accumulated total accrued pension at 31 March 2003 (note 3) | Accumulated total accrued pension at 31 March 2002 (note 3) | Transfer value of accrued benefits 31/03/2002 | Transfer value of accrued benefits 31/03/2003 | Difference in transfer values less contributions |
|--------------|-----------------|---|--|---|--|---|---|---|---|--|
|              |                 | £   | £  | £   | £  | £   | £   | £   | £   | £  |
| B. J. Cooke  | 63              | 7,311   | 4,657  | 3,442   | 43,531   | 75,380  | 70,723  | 788,034                                       | 928,589                                       | 133,244  |
| A. J. Smith  | 56              | 6,693   | 4,529  | 3,644   | 31,833   | 56,070  | 51,540  | 391,014                                       | 494,624                                       | 96,917   |
| J. C. Roby   | 54              | 6,182   | 2,561  | 2,186   | 15,811   | 24,351  | 21,790  | 170,223                                       | 221,010                                       | 44,605   |
| T. Woodhouse | 63              | 6,312   | 2,406  | 2,099   | 24,643   | 20,236  | 17,830  | 223,095                                       | 280,564                                       | 51,157   |

## Notes to pension benefits:

- These relate to contributions paid or payable in the year by the directors under the terms of the Scheme.
- The increase in accrued pension during the year (and transfer value of the increase) excludes any increase for inflation.
- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the company's financial year.

Members of the Scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.

## 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.

## Directors' contracts

Messrs Cooke, Smith and Roby have contracts of service terminable on two years' notice. Mr Woodhouse has a service contract 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 is consistent for directors to take a long-term rather than a short-term view of their conduct and planning of the company's affairs. None of the contracts contains any provision for predetermined compensation in the event of termination.

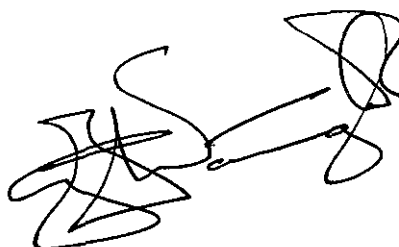
The date of contracts currently in place for the executive directors is 1st April 2002.

Messrs King and Wainwright do not have a contract of service and do not participate in the company's bonus schemes and are not eligible to join a company pension scheme.

On behalf of the board

G. B. WAINWRIGHT  
Chairman of the remuneration committee

23rd May 2003



# Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, and explained in the accounts;

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Castings P.L.C. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

## Independent Auditors' Report

to the members of Castings P.L.C.

We have audited the accounts which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed. We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the

directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company and the group at 31st March 2003 and the profit and cash flows of the group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

R. A. Lea & Co.  
Chartered Accountants  
and Registered Auditors  
Birmingham  
23rd May 2003

# Accounting Policies

## **Basis of accounting**

*The accounts have been prepared in accordance with applicable Accounting Standards under the historical cost convention. The group accounts include the results of the holding company and its subsidiary companies for the year ended 31st March 2003. All activities included in these accounts are continuing.*

*The company has taken advantage of the exemption from presenting its own profit and loss account, as permitted by Section 230 of the Companies Act 1985.*

## **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.

## **Depreciation**

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

|                                       |                   |
|---------------------------------------|-------------------|
| <b>Buildings</b>                      | <b>2%</b>         |
| <b>Plant, machinery and equipment</b> | <b>10% to 25%</b> |
| <b>Motor vehicles</b>                 | <b>25% to 33%</b> |

Freehold land is not depreciated.

## **Stocks and work in progress**

Stocks 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.

## **Goodwill**

Prior to 31st March 1998, goodwill arising on consolidation was written off to reserves in the year of acquisition. As permitted by FRS10, this goodwill has not been reinstated in the balance sheet and remains written off to reserves. Goodwill arising on subsequent acquisitions will be capitalised and amortised over its useful economic life. The profit or loss arising on the sale of a previously acquired business includes the attributable goodwill.

## **Turnover**

Turnover is the aggregate of the invoiced values of sales (less returns and allowances) charged to external customers of the group, excluding value added tax.

## **Pension costs**

The costs 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 SSAP24.

## **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 group's taxable profits and its results as stated in the accounts.

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

## **Derivatives and other financial instruments (FRS13)**

The group has considered the requirements of FRS13 and has determined that no disclosures are required in relation to short-term debtors and creditors or any other matters except the following table which shows the currency rate exposure of the financial assets comprising short-term deposits of £25,139,000:

|                 | <b>2003</b>  | <b>2002</b>  |
|-----------------|--------------|--------------|
| <b>Currency</b> | <b>£'000</b> | <b>£'000</b> |
| Sterling        | 24,014       | 25,530       |
| Euro            | 998          | 1,113        |
| US\$            | 127          | 138          |

The above financial assets bear floating rate interest at the relevant short-term market rate.

Unused bank overdraft and foreign exchange facilities amounting to £3,041,000 are reviewed on an annual basis.

# Group Profit and Loss Account

for the year ended 31st March 2003

|   | Notes | 2003<br>£000 | 2002<br>£000 |
|---|-------|--------------|--------------|
| Turnover from continuing operations                           | 1     | 59,895       | 56,120       |
| Cost of sales   |       | 42,569       | 39,707       |
| Gross profit  |       | 17,326       | 16,413       |
| Operating costs — normal                                      | 2     | 8,712        | 8,190        |
| Operating costs — exceptional                                 | 6     | 4,052        | —            |
| Operating profit from continuing operations                   |       | 4,562        | 8,223        |
| Other income  | 8     | 1,132        | 1,671        |
| <b>Profit on ordinary activities before taxation</b>          | 3     | 5,694        | 9,894        |
| Taxation on ordinary activities                               | 9     | 1,549        | 2,903        |
| <b>Profit on ordinary activities after taxation</b>           |       | 4,145        | 6,991        |
| Dividends   | 10    | 3,573        | 3,423        |
| <b>Retained profit for the year</b>                           | 19    | 572          | 3,568        |
| <b>Earnings per share — basic</b>                             | 11    | 9.50p        | 16.05p       |
| <b>Earnings per share — adjusted</b>                          | 11    | 16.00p       | 16.05p       |
| <b>Earnings per share — diluted</b>                           | 11    | 9.50p        | 16.04p       |
| <b>Statement of total recognised gains and losses</b>         |       |              |              |
| Profit attributable to shareholders                           |       | 4,145        | 6,991        |
| Prior year adjustment — adoption of FRS19 “Deferred Taxation” |       | —            | (1,129)      |
| Total recognised gains and losses since last annual report    |       | 4,145        | 5,862        |

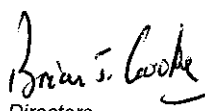
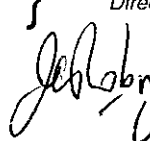
# Balance Sheets

31st March 2003

|  | Notes | Group         |                | Company       |               |
|--|-------|---------------|----------------|---------------|---------------|
|  |       | 2003          | 2002           | 2003          | 2002          |
|  |       | £000          | £000           | £000          | £000          |
| <b>Fixed assets</b>                                    |       |               |                |               |               |
| Tangible assets  | 12    | 32,067        | 28,410         | 13,239        | 12,007        |
| <b>Investments</b>                                     | 13    | 704           | 704            | 5,985         | 5,985         |
| <b>Current assets</b>                                  |       |               |                |               |               |
| Stocks   | 14    | 4,284         | 3,509          | 2,539         | 1,889         |
| Debtors  | 15    | 12,863        | 12,597         | 11,081        | 8,410         |
| Short-term deposits                                    |       | 25,139        | 26,781         | 20,852        | 23,804        |
| Cash at bank and in hand                               |       | 383           | 586            | 195           | 1             |
|  |       | <u>42,669</u> | <u>43,473</u>  | <u>34,667</u> | <u>34,104</u> |
| <b>Creditors</b> — amounts falling due within one year | 16    | <u>17,740</u> | <u>14,596</u>  | <u>13,750</u> | <u>10,352</u> |
| <b>Net current assets</b>                              |       | <u>24,929</u> | <u>28,877</u>  | <u>20,917</u> | <u>23,752</u> |
| <b>Total assets less current liabilities</b>           |       | <u>57,700</u> | <u>57,991</u>  | <u>40,141</u> | <u>41,744</u> |
| Provisions for liabilities and charges                 | 17    | <u>(966)</u>  | <u>(1,876)</u> | <u>—</u>      | <u>(779)</u>  |
|  |       | <u>56,734</u> | <u>56,115</u>  | <u>40,141</u> | <u>40,965</u> |
| <b>Capital and reserves</b>                            |       |               |                |               |               |
| Called up share capital                                | 18    | 4,363         | 4,358          | 4,363         | 4,358         |
| Share premium  | 19    | 874           | 832            | 874           | 832           |
| Capital redemption reserve                             | 19    | 13            | 13             | 13            | 13            |
| Profit and loss account                                | 19    | 51,484        | 50,912         | 34,891        | 35,762        |
| <b>Shareholders' funds</b>                             |       | <u>56,734</u> | <u>56,115</u>  | <u>40,141</u> | <u>40,965</u> |

The accounts on pages 10 to 19 were approved by the board of directors on 23rd May 2003, and were signed on its behalf by:

B. J. Cooke  
J. C. Roby

  
 Directors  


# Group Cash Flow Statement

for the year ended 31st March 2003

|   | Notes | 2003    |         | 2002     |          |
|---|-------|---------|---------|----------|----------|
|   |       | £000    | £000    | £000     | £000     |
| Net cash inflow from operating activities                 | (a)   |         | 10,750  |          | 11,325   |
| Returns on investments and servicing of finance:          |       |         |         |          |          |
| Interest received   |       |         | 1,132   |          | 1,671    |
| Taxation  |       |         | (2,572) |          | (3,264)  |
| Capital expenditure and financial investment:             |       |         |         |          |          |
| Purchase of tangible fixed assets                         |       | (7,673) |         | (12,450) |          |
| Investments made  |       | —       |         | —        |          |
| Sale of tangible fixed assets                             |       | 26      |         | 7        |          |
| Equity dividends paid                                     |       |         | (7,647) |          | (12,443) |
|   |       |         | (3,451) |          | (3,301)  |
| Cash outflow before use of liquid resources and financing |       |         | (1,788) |          | (6,012)  |
| Management of liquid resources:                           |       |         |         |          |          |
| Decrease in short-term deposits                           |       |         | 1,642   |          | 5,964    |
| Financing:  |       |         |         |          |          |
| Change in ordinary share capital                          |       |         | 47      |          | (13)     |
| Decrease in cash  | (b)   |         | (99)    |          | (61)     |

## Notes to the group cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

|   | 2003   | 2002   |
|---|--------|--------|
|   | £000   | £000   |
| Operating profit less exceptional operating costs | 4,562  | 8,223  |
| Depreciation and adjustments on disposals         | 3,990  | 3,418  |
| (Increase) in stocks                              | (775)  | 217    |
| (Increase) in debtors                             | (266)  | (894)  |
| Increase in creditors                             | 3,239  | 361    |
| Net cash inflow from operating activities         | 10,750 | 11,325 |

(b) Reconciliation of net cash flow to movement in net funds (note c)

|                                     |         |         |
|-------------------------------------|---------|---------|
| Decrease in cash in the period      | (99)    | (61)    |
| Decrease in liquid resources        | (1,642) | (5,964) |
| Change in net funds from cash flows | (1,741) | (6,025) |
| Net funds at 1st April 2002         | 27,967  | 33,992  |
| Net funds at 31st March 2003        | 26,226  | 27,967  |

(c) Analysis of net funds

|                          | 2002   | Cash flows | 2003   |
|--------------------------|--------|------------|--------|
|                          | £000   | £000       | £000   |
| Cash at bank and in hand | 586    | (203)      | 383    |
| Bank overdraft           | (104)  | 104        | —      |
|                          | 482    | (99)       | 383    |
| Short-term deposits      | 26,781 | (1,642)    | 25,139 |
| Investments              | 704    | —          | 704    |
|                          |        | (1,642)    |        |
| Total                    | 27,967 | (1,741)    | 26,226 |

# Notes on the Accounts

| 1 Geographical analysis of turnover                                      | 2003<br>£000  | 2002<br>£000  |
|--|---------------|---------------|
| <b>The geographical analysis of turnover for the year is as follows:</b> |               |               |
| United Kingdom   | 29,346        | 29,252        |
| Sweden   | 9,964         | 8,540         |
| Rest of Europe   | 20,114        | 17,763        |
| North and South America  | 471           | 564           |
| Africa and Asia  | —             | 1             |
|  | <u>59,895</u> | <u>56,120</u> |

All the turnover arises from the group's continuing principal activity, which the directors believe to be the only class of business carried out by the group.

| 2 Operating costs |              |              |
|-------------------|--------------|--------------|
| Distribution      | 1,200        | 1,050        |
| Administrative    | 7,512        | 7,140        |
|                   | <u>8,712</u> | <u>8,190</u> |

| 3 Trading profits are stated after charging            |          |          |
|--|----------|----------|
| Depreciation   | 3,990    | 3,418    |
| Auditors' remuneration — audit services                | 32       | 30       |
| Auditors' remuneration — non-audit services (taxation) | 4        | 4        |
|  | <u>4</u> | <u>4</u> |

#### 4 Information regarding directors

##### Directors' interests

The interests of directors in the ordinary share capital of the company at the beginning and end of the year were:

|                  | 2003      | Beneficial Holdings<br>2002 |
|------------------|-----------|-----------------------------|
| B. J. Cooke      | 1,950,986 | 1,950,986                   |
| A. J. Smith      | 127,400   | 127,400                     |
| J. C. Roby       | 128,190   | 128,190                     |
| T. Woodhouse     | 37,788    | 37,788                      |
| C. P. King       | —         | —                           |
| G. B. Wainwright | —         | —                           |

There have been no changes in the shareholdings of directors between 31st March 2003 and 7th June 2003.

##### Directors' options

There were no options outstanding or granted during the year.

#### 5 Employee cost

| Average number of employees during the year was | 2003          | 2002          |
|---|---------------|---------------|
| Production                                      | 890           | 868           |
| Management and administration                   | 91            | 87            |
|   | <u>981</u>    | <u>955</u>    |
|   | <b>£000</b>   | <b>£000</b>   |
| Aggregate remuneration paid to all employees    | 22,414        | 20,976        |
| Social security costs                           | 1,966         | 1,863         |
| Pension costs                                   | 850           | 951           |
| Other employee costs                            | 264           | 224           |
|   | <u>25,494</u> | <u>24,014</u> |

# Notes on the Accounts

continued

## 6 Exceptional operating costs

The latest actuarial valuation of the final salary pension schemes showed a deficit for past service of £4,052,000. This deficit will be funded as a lump sum during 2003 for which provision has been made in these accounts.

## 7 Pension costs

The group has continued to account for pensions in accordance with SSAP24. The disclosures given below are those required by that standard. FRS17 Retirement Benefits was issued in November 2000 but will not be fully mandatory for the group and the company until the year ended 31st March 2006. Prior to this, phased transitional disclosures are required. The required disclosures are shown below. The net pension cost in the profit and loss account was £850,000 (2002 – £851,000). In 2002 there was an additional charge of £100,000 to cover past service liabilities.

The group operates two pension schemes providing benefits based on final pensionable pay. These schemes are closed to new entrants. The assets are independent of the finances of the group and are administered by Trustees. Annual contributions are determined on the recommendations of independent actuaries every three years and are charged against profits in the year in which they are made.

The latest actuarial valuation was made as at 6th April 2002 using the attained age method. It assumed that the rate of return on investments was 6.5% per annum for pre-retirement and 5% per annum for post-retirement, and the rate of increase in wages and salaries was 4% per annum and price inflation was 2.5%.

The next actuarial valuation is due as at 6th April 2005.

In addition, the group operates a money purchase pension scheme whereby contributions are invested through individual accounts under an insurance policy administered by Trustees.

### Composition of the scheme — FRS17 disclosures

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 6th April 2002 and updated to 31st March 2003 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

|   | 2003 | 2002 |
|---|------|------|
| Rate of increase in salaries            | 3.6% | 3.3% |
| Rate of increase of pensions in payment | 2.6% | 2.8% |
| Discount rate                           | 5.4% | 6.0% |
| Inflation assumption                    | 2.6% | 2.8% |

The assets in the schemes and the expected rates of return were:

|   | Expected rate<br>of return | 2003<br>£000 | Expected rate<br>of return | 2002<br>£000 |
|---|----------------------------|--------------|----------------------------|--------------|
| Equities                                      | 6.5%                       | 13,458       | 7.0%                       | 18,098       |
| Bonds   | 4.7%                       | 3,208        | 5.3%                       | 2,935        |
| Property                                      | 6.5%                       | 257          | 7.0%                       | 328          |
| Total market value of assets                  |                            | 16,923       |                            | 21,361       |
| Actuarial value of liability                  |                            | (29,917)     |                            | (20,658)     |
| Surplus/(deficit) in the scheme               |                            | (12,994)     |                            | 703          |
| Related deferred tax asset/(liability) at 30% |                            | 3,898        |                            | (211)        |
| Pension asset/(liability)                     |                            | (9,096)      |                            | 492          |

If the group had adopted FRS 17 early, the net assets and profit and loss reserve would have been:

|  | 2003<br>£000 | 2003 2002<br>£000 |
|--|--------------|-------------------|
| Net assets excluding pension asset/(liability)               | 56,734       | 56,115            |
| Already provided, net of deferred tax                        | 2,836        | —                 |
| Pension asset/(liability)                                    | (9,096)      | 492               |
| Net assets including pension asset/(liability)               | 50,474       | 56,607            |
| Profit and loss reserve excluding pension assets/(liability) | 51,484       | 50,912            |
| Already provided, net of deferred tax                        | 2,836        | —                 |
| Pension reserve  | (9,096)      | 492               |
|  | 45,224       | 51,404            |

# Notes on the Accounts

*continued*

## 7 Pension costs continued

### Analysis of the amount charged to operating profit

|                        | 2003<br>£000 |
|------------------------|--------------|
| Service cost           | 699          |
| Past service cost      | —            |
| Total operating charge | <u>699</u>   |

### Analysis of net return on pension scheme

|  | 2003<br>£000 |
|--|--------------|
| Expected return on pension scheme assets | 1,456        |
| Interest on pension liabilities          | (1,256)      |
| Net return                               | <u>200</u>   |

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

|  | 2003<br>£000    |
|--|-----------------|
| Actual return less expected return of assets | (6,609)         |
| Experience gains and losses on liabilities   | (1,444)         |
| Changes in assumptions                       | (5,583)         |
| Actuarial gain/(loss) recognised in STRGL    | <u>(13,636)</u> |

### Movement in surplus during the year

|  | 2003<br>£000    |
|--|-----------------|
| Surplus in scheme at beginning of year     | 703             |
| Movement in year:                          |                 |
| (Current service cost)                     | (699)           |
| Contributions                              | 438             |
| (Past service costs)                       | —               |
| Net return on assets/(interest cost)       | 200             |
| Actuarial gain/(loss)                      | (13,636)        |
| Surplus/(deficit) in scheme at end of year | <u>(12,994)</u> |

The FRS17 figures at 31st March 2003 showed a deficit of £13.0 million. It has been agreed with the trustees that company contributions for the next three years will remain at 8.2% and 5.6% of pensionable earnings for the Staff and Shopfloor schemes respectively. The company will also pay lump sums into the Staff and Shopfloor Schemes of just over £2.6 million and £1.4 million respectively. The company has decided to reduce the future accrual from 1/60th to 1/80th for the Staff scheme members and from 1/80th to 1/100th for the Shopfloor scheme members. Also, the members' contributions will increase from 6% to 7% and 4.5% to 5.25% for the Staff and Shopfloor Schemes respectively. These changes will take place during 2003.

### History of experience gains and losses

|  | 2003<br>£000 |
|--|--------------|
| Difference between expected and actual return on scheme assets:            |              |
| amount (£000)  | (6,609)      |
| percentage of scheme assets  | (39%)        |
| Experience gains and losses on scheme liabilities:                         |              |
| amount (£000)  | (1,444)      |
| percentage of scheme liabilities   | (5%)         |
| Total amount recognised in statement of total recognised gains and losses: |              |
| amount (£000)  | (13,636)     |
| percentage of scheme liabilities   | (46%)        |

| <b>8 Other income</b>                             | 2003         | 2002         |
|---|--------------|--------------|
|   | £000         | £000         |
| Interest on short-term deposits                   | 969          | 1,504        |
| Income from listed investments                    | 43           | 47           |
| Rental income                                     | 119          | 120          |
| Other   | 1            | —            |
|   | <u>1,132</u> | <u>1,671</u> |
| <b>9 Taxation</b>                                 |              |              |
| Corporation tax at 30%                            | 2,484        | 2,367        |
| Deferred taxation                                 | (910)        | 599          |
| Taxation adjustments in respect of previous years | (25)         | (63)         |
|   | <u>1,549</u> | <u>2,903</u> |

The standard rate of corporation tax is 30%, whereas the current tax assessed for the financial year as a percentage of profit before tax is 43.6% (2002 — 23.9%). The differences are explained below:

|   |              |              |
|---|--------------|--------------|
| Profit on ordinary activities before tax  | 5,694        | 9,894        |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% | 1,708        | 2,968        |
| Capital allowances in excess of depreciation for the year                               | (490)        | (617)        |
| Expenses not deductible for tax purposes  | 1,266        | 16           |
| Corporation tax charge for the period   | <u>2,484</u> | <u>2,367</u> |

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

#### 10 Dividends on ordinary shares

|  |              |              |
|--|--------------|--------------|
| Interim paid of 2.32p per share (2002 — 2.26p)   | 1,012        | 984          |
| Final proposed of 5.87p per share (2002 — 5.59p) | 2,561        | 2,439        |
|  | <u>3,573</u> | <u>3,423</u> |

#### 11 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £4,145,000 (2002 — £6,991,000) and on the weighted average number of shares in issue at the end of the year of 43,622,068 (2002 — 43,547,068).

The calculation of diluted earnings per share is based on the above profits on ordinary activities after taxation and 43,622,068 shares being the weighted average number of shares in issue during the year after adjustment for the effect of dilutive share options (2002 — 43,597,068). The adjusted earnings per share is calculated after excluding the exceptional item of £4,052,000.

#### 12 Fixed assets — Tangible

|   | Land and<br>buildings<br>£000 | Plant<br>and other<br>equipment<br>£000 | Total<br>£000 |
|---|-------------------------------|---|---------------|
| a) Group                                    |                               |   |               |
| <b>Cost</b>                                 |                               |   |               |
| At 31st March 2002                          | 8,779                         | 44,956                                  | 53,735        |
| Reclassification                            | 178                           | (178)                                   | —             |
| Additions during year                       | 1,089                         | 6,584                                   | 7,673         |
| Disposals                                   | —                             | (147)                                   | (147)         |
| At 31st March 2003                          | <u>10,046</u>                 | <u>51,215</u>                           | <u>61,261</u> |
| <b>Depreciation and amounts written off</b> |                               |   |               |
| At 31st March 2002                          | 2,040                         | 23,285                                  | 25,325        |
| Charge for year                             | 156                           | 3,834                                   | 3,990         |
| Disposals and adjustments                   | —                             | (121)                                   | (121)         |
| At 31st March 2003                          | <u>2,196</u>                  | <u>26,998</u>                           | <u>29,194</u> |
| <b>Net book values</b>                      |                               |   |               |
| At 31st March 2003                          | <u>7,850</u>                  | <u>24,217</u>                           | <u>32,067</u> |
| At 31st March 2002                          | <u>6,739</u>                  | <u>21,671</u>                           | <u>28,410</u> |

# Notes on the Accounts

continued

## 12 Fixed assets — Tangible continued

|   | Land and<br>buildings<br>£000 | Plant<br>and other<br>equipment<br>£000 | Total<br>£000 |
|---|-------------------------------|---|---------------|
| <b>b) Company</b>                           |                               |   |               |
| <b>Cost</b>                                 |                               |   |               |
| At 31st March 2002                          | 4,057                         | 18,611                                  | 22,668        |
| Reclassification                            | 178                           | (178)                                   | —             |
| Additions during year                       | 1,042                         | 1,678                                   | 2,720         |
| Disposals                                   | —                             | (31)                                    | (31)          |
| At 31st March 2003                          | <u>5,277</u>                  | <u>20,080</u>                           | <u>25,357</u> |
| <b>Depreciation and amounts written off</b> |                               |   |               |
| At 31st March 2002                          | 865                           | 9,796                                   | 10,661        |
| Charge for year                             | 97                            | 1,391                                   | 1,488         |
| Disposals and adjustments                   | —                             | (31)                                    | (31)          |
| At 31st March 2003                          | <u>962</u>                    | <u>11,156</u>                           | <u>12,118</u> |
| <b>Net book values</b>                      |                               |   |               |
| At 31st March 2003                          | <u>4,315</u>                  | <u>8,924</u>                            | <u>13,239</u> |
| At 31st March 2002                          | <u>3,192</u>                  | <u>8,815</u>                            | <u>12,007</u> |

The net book value of group land and buildings includes £1,016,000 (2002 – £1,016,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2002 – £359,000).

## 13 Investments

|                                    | 2003          |                 | 2002          |                 |
|------------------------------------|---------------|-----------------|---------------|-----------------|
|                                    | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Subsidiary companies               |               |                 |               |                 |
| At cost                            |               | 5,281           |               | 5,281           |
| Other investments other than loans |               |                 |               |                 |
| At cost                            | 704           | 704             | 704           | 704             |
|                                    | <u>704</u>    | <u>5,985</u>    | <u>704</u>    | <u>5,985</u>    |

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 mainly in the United Kingdom. See the Directors' Report for trading activities.

The market value of other investments at 31st March 2003 was £823,000 (2002 – £1,207,000).

## 14 Stocks

|                  | 2003          |                 | 2002          |                 |
|------------------|---------------|-----------------|---------------|-----------------|
|                  | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Raw materials    | 875           | 394             | 691           | 312             |
| Work in progress | 1,698         | 960             | 1,201         | 600             |
| Finished goods   | 1,711         | 1,185           | 1,617         | 977             |
|                  | <u>4,284</u>  | <u>2,539</u>    | <u>3,509</u>  | <u>1,889</u>    |

## 15 Debtors

|                                     | 2003          |                 | 2002          |                 |
|-------------------------------------|---------------|-----------------|---------------|-----------------|
|                                     | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Due within one year:                |               |                 |               |                 |
| Trade debtors                       | 12,213        | 8,664           | 11,726        | 8,139           |
| Amount owed by subsidiary companies | —             | 1,545           | —             | 7               |
| Other debtors                       | 562           | 559             | 263           | 260             |
| Prepayments                         | 88            | 4               | 608           | 4               |
| Deferred tax asset (note 17)        | —             | 309             | —             | —               |
|                                     | <u>12,863</u> | <u>11,081</u>   | <u>12,597</u> | <u>8,410</u>    |

**16 Creditors**

|                                      | 2003          |                 | 2002          |                 |
|--------------------------------------|---------------|-----------------|---------------|-----------------|
|                                      | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Due within one year                  |               |                 |               |                 |
| Bank overdraft                       | —             | —               | 104           | 89              |
| Trade creditors                      | 4,366         | 2,554           | 5,190         | 2,402           |
| Amounts owed to subsidiary companies | —             | 324             | —             | 803             |
| Corporation tax                      | 1,262         | 987             | 1,375         | 1,010           |
| Other taxation and social security   | 1,125         | 411             | 925           | 471             |
| Other creditors                      | 330           | 166             | 328           | 164             |
| Accruals                             | 8,096         | 6,747           | 4,235         | 2,974           |
| Proposed dividend                    | 2,561         | 2,561           | 2,439         | 2,439           |
|                                      | <u>17,740</u> | <u>13,750</u>   | <u>14,596</u> | <u>10,352</u>   |

**17 Provisions for liabilities and charges**

|                                      |            |              |              |            |
|--------------------------------------|------------|--------------|--------------|------------|
| Deferred taxation                    |            |              |              |            |
| At 31st March 2002                   | 1,876      | 779          | 1,277        | 445        |
| Taxation deferred this year          | (910)      | (1,088)      | 599          | 334        |
| At 31st March 2003                   | <u>966</u> | <u>(309)</u> | <u>1,876</u> | <u>779</u> |
| Deferred tax is provided as follows: |            |              |              |            |
| Accelerated capital allowances       | 2,735      | 1,251        | 2,386        | 1,097      |
| Other timing differences             | (1,769)    | (1,560)      | (510)        | (318)      |
|                                      | <u>966</u> | <u>(309)</u> | <u>1,876</u> | <u>779</u> |

The deferred tax asset of £309,000 for the company has been shown in debtors (note 15).

**18 Called up share capital**

|  |              |              |
|--|--------------|--------------|
| Authorised 50,000,000 10p ordinary shares              | 5,000        | 5,000        |
| Allotted and fully paid 43,632,068 10p ordinary shares | <u>4,363</u> | <u>4,358</u> |

During the year, 50,000 ordinary shares were issued at 93.5 pence under the terms of the Share Option Schemes.

**19 Reserves**

|                                  | Share<br>premium<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Profit<br>and loss<br>£000 | Group profit<br>and loss<br>£000 |
|----------------------------------|--------------------------|--|----------------------------|----------------------------------|
| At 31st March 2002               | 832                      | 13                                       | 35,762                     | 50,912                           |
| Premium on shares issued in year | 42                       | —  | —                          | —                                |
| Retained profit for the year     | —                        | —  | (871)                      | 572                              |
| At 31st March 2003               | <u>874</u>               | <u>13</u>                                | <u>34,891</u>              | <u>51,484</u>                    |

**20 Reconciliation of movements in shareholders' funds**

|                              | 2003          |                 | 2002          |                 |
|------------------------------|---------------|-----------------|---------------|-----------------|
|                              | Group<br>£000 | Company<br>£000 | Group<br>£000 | Company<br>£000 |
| Profit for the year          | 4,145         | 2,702           | 6,991         | 5,731           |
| Dividends                    | (3,573)       | (3,573)         | (3,423)       | (3,423)         |
|                              | <u>572</u>    | <u>(871)</u>    | <u>3,568</u>  | <u>2,308</u>    |
| New share capital subscribed | 47            | 47              | 42            | 42              |
| Share buy-backs              | —             | —               | (54)          | (54)            |
|                              | <u>619</u>    | <u>(824)</u>    | <u>3,556</u>  | <u>2,296</u>    |
| Opening shareholders' funds  | 56,115        | 40,965          | 52,559        | 38,669          |
| Closing shareholders' funds  | <u>56,734</u> | <u>40,141</u>   | <u>56,115</u> | <u>40,965</u>   |

**21 Capital commitments**

|  |              |              |
|--|--------------|--------------|
| Authorised, but not provided in the accounts | 2003<br>£000 | 2002<br>£000 |
|  | <u>998</u>   | <u>1,673</u> |

# Notice of Meeting

Notice is hereby given that the ninety-sixth 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 Tuesday, 12th August 2003 at 3.30 p.m. for the following purposes:

## As ordinary business

- 1 To receive and consider the directors' report and audited accounts for the year ended 31st March 2003.
- 2 To declare a final dividend.
- 3 To re-elect Mr T. Woodhouse as a director.
- 4 To re-elect Mr D. J. Gawthorpe as a director.
- 5 To re-elect Mr M. A. Lewis as a director.
- 6 To approve the directors' remuneration report for the year ended 31st March 2003.
- 7 To reappoint R. A. Lea & Co. as auditors of the Company at a fee to be agreed with the directors.

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

## As an ordinary resolution

8 THAT:

- (a) the directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in the said Section 80) 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 11th August 2008 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 Section 80 of the Companies Act 1985 on 13th August 2002, which authorities are accordingly hereby revoked.

## As special business As special resolutions

9 THAT the directors be and are hereby empowered pursuant to Section 95 of

the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 8 set out in the notice convening this meeting as if Section 89(1) of 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 (as defined in Section 94 of the Companies Act 1985), 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.

10 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163 of the Companies Act 1985) 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 31st March 2003;
- (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 18th July 2003. Assuming the final dividend is approved by the members, the dividend will be paid on 15th August 2003.

By order of the board  
J. C. ROBY  
Company Secretary

Registered Office:  
Lichfield Road,  
Brownhills,  
West Midlands, WS8 6JZ.

4th July 2003

## 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 Registered Office of the company not less than 48 hours before the time appointed for the meeting.

To have the right to attend and vote at the Annual General Meeting a person must be entered on the register of members on or before 6.00 p.m. on 10th August 2003 (being not more than 48 hours prior to the time fixed for the meeting).