

CASTINGS P.L.C.

**CASTINGS PLC
ANNUAL REPORT**
for the year ended 31st March 2012



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Directors

Executive Directors

Brian Cooke

Chairman

Aged 72, 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 50, 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 36, 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 48, 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 58, he joined William Lee in 1977 becoming operations director there in 2003 and their managing director in 2005, when he was appointed to the main board.

Adam Vicary

Managing Director – Brownhills

Aged 44, he joined the company in September 2010 as joint managing director and was appointed to the main board in April 2012.

Non-Executive Directors

Gerard Wainwright

Non-executive Director

Aged 62, 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 twenty-five 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 75, 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 regarded as the financial expert of that committee and is also a member of the remuneration and nomination committees.

Alec Jones

Non-executive Director

Aged 60, he was appointed a director in April 2012 and is an independent director. He was a partner in PricewaterhouseCoopers for 27 years until his retirement in 2010. He is a member of the audit, remuneration and nomination committees.

Chairman's Statement

Statement of full year results

It is pleasing to report that turnover increased from £105.4 million to a record £126.3 million. Profits increased from £15.5m to £23.1 million.

It must be noted that the profits include £1.0m credit following settlement of a historic creditor, £0.7 million credit for Icelandic bank receipts and £0.3 million credit in respect of the defined benefit pension schemes.

The profits are a record for the company and are as a result of our continued investment in up-to-date plant and machining equipment.

Foundry Production

The new warehouse at Brownhills opened in January and it is proving beneficial in improving our logistics and stock control. The total cost of the warehouse project was £5.5 million which included extra car parking and an improved site entrance. The building can in future be extended for machining capacity. The foundries are all now well equipped.

Foundry production at Castings Brownhills and William Lee has been satisfactory throughout the year. We still have some 20% spare capacity and we are maintaining efforts to fill this with more work from new and existing customers. In this respect it is hoped that the European truck industry will return to pre 2008 levels.

CNC Speedwell

CNC once again has enjoyed an improved year and a further £5.4 million has been invested in new machines for existing and new projects.

It is pleasing to report we have obtained several contracts to machine and assemble products for the automobile industry. These contracts will hopefully come into production during June and July this year and will add to the turnover and profits of the company.

The logistics to supply castings to CNC have been improved which has released space at CNC to be used for more future production. It is expected, as orders increase, further investment will be required at CNC, but as yet the figures are unknown.

Directors

Tony Smith retired as a non-executive director from 30 March 2012. I wish to thank him for his many years service at Castings plc. He joined the company in 1962 as a trainee and progressed to Joint Managing Director before retiring in 2004. He then became a non-executive director where his foundry knowledge and industrial relations experience was a great benefit to the company. We wish him and his wife Margaret a happy retirement.

Alec Jones was appointed to the Board on 3 April 2012 as a non-executive director. Alec is a chartered accountant and was a partner in PricewaterhouseCoopers for 27 years until his retirement in 2010. During that time he was a lead partner on many major clients and a member of the global management team responsible for clients and markets from 2003 to 2008. He was the leader of the emerging market practices from 2008 to 2010.

Adam Vicary, who joined the company in September 2010 was appointed to the board on 3 April 2012. His experience in lean manufacturing and production will add strength to the board.

Dividend

I am pleased to report the directors recommend an increase in the final dividend to 8.84 pence per share. This, together with an increased interim dividend, gives a total for the year of 11.75 pence per share.

Outlook

It is difficult to forecast the future because of the well reported economic problems in Europe. The company continues to be in a strong position to take advantage of any upturn and has the ability to manage a downturn in demand. The financial strength of the company is important to be able to make quick investment decisions and at the same time secure dividend payments for our shareholders.

In conclusion, I would again like to thank all our employees for their contribution to the success of the company and it is hoped any economic problems will not affect us as they did in 2008/9.

B. J. COOKE

Chairman

20 June 2012

Business and Financial Review

Revenue has increased by 20% to £126.3 million of which 66% was exported.

The despatch weight of castings to third party customers was 57,200 tonnes, being an increase of 6,600 tonnes from the previous year.

Revenue from the machinist operation, CNC Speedwell, increased by 3% during the year.

During the year we have received £0.69 million from the administrators of the UK subsidiaries of the Icelandic banks. This brings the total sums received to-date to £2.75 million which is £0.89 million in excess of the original estimate of recoverable amounts. Given the uncertainty over the quantum and timing of any possible further receipts, no allowance has been made for future recoverable amounts.

The level of finance income again reflects the prevailing low interest rates during the year.

Operationally the group generated £21.5 million in cash (after tax payments) which, after investment of £12.6 million in property, plant and equipment and £4.8 million in dividend payments, resulted in an increase in cash of £4.1 million to £17.8 million at the balance sheet date,

The pension valuation showed a slight improvement in the surplus, on an IAS 19 basis, to £6.8 million. This continues not to be recognised on the balance sheet due to the restriction of recognition of assets.

Overall the group returned a profit before taxation of £23.1 million for the year. This includes a £0.3 million credit in respect of the defined benefit pension schemes (as set out in note 6) in accordance with IAS 19; £0.7 million credit for Icelandic bank receipts and £1 million credit following the settlement of an historic creditor position.

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 £5.1 million to shareholders.

Directors' Report

Annual Report and the Audited Accounts for the year ended 31 March 2012.

Trading activities

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

The progress of these companies during the year is recorded in the accounts, the Chairman's Statement on page 3 and the Business and Financial Review on page 4. A Review of Principal Risks and Uncertainties is given on pages 9 and 10.

Dividends

An interim dividend of 2.91 pence per share was paid in January 2012. The directors now recommend a final dividend of 8.84 pence per share payable on 17 August 2012 to shareholders on the register on 20 July 2012, making a total distribution of 11.75 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2011 – 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 2 and in addition A. J. Smith was a non-executive until 31 March 2012.

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

| | Beneficial Holdings | |
|--------------------------------------|---------------------|-----------|
| | 2012 | 2011 |
| B. J. Cooke | 1,956,636 | 1,955,386 |
| A. J. Smith (resigned 31 March 2012) | 103,079 | 103,079 |
| G. B. Wainwright | 59,261 | 59,261 |
| D. J. Gawthorpe | 29,379 | 28,296 |
| A. Vicary | 12,000 | — |
| G. Cooper | 8,000 | 8,000 |
| M. A. Lewis | 3,025 | 3,025 |
| S. J. Mant | 1,000 | — |
| C. P. King | — | — |
| A. N. Jones | — | — |

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

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

D. J. Gawthorpe – by rotation

A. Vicary – having been appointed since the last Annual General Meeting.

A. N. Jones – having been appointed since the last Annual General Meeting.

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

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

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

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

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

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

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 20 June 2012:

| | Number | % |
|------------------------------------|-----------|------|
| Aberforth Partners' Clients | 6,736,285 | 15.4 |
| Delta Lloyd Asset Management NV | 5,549,018 | 12.7 |
| Ruffer LLP | 4,300,667 | 9.9 |
| B. J. Cooke | 1,956,636 | 4.5 |
| Hamstall Investments Inc. | 1,949,900 | 4.5 |
| Rathbone Investment Management Ltd | 1,600,000 | 3.7 |

During the period between 31 March 2012 and 20 June 2012, the directors have not been notified of any changes to the shareholdings set out above.

Business review

The Chairman's Statement on page 3, the Business and Financial Review on page 4, the Corporate Governance Statement on page 13, and the Notes to the Accounts on pages 24 to 43 provide detailed information relating to the group, the operation and development of the business and the results and financial position for the year ended 31st March 2012.

Future prospects

Future prospects are dealt with in the Chairman's Statement on page 3.

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

16th August 2011 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 16th August 2015 but will be put to annual shareholder approval. The proposed Resolutions are set out as items 8 and 9 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2011, 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, 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 2012. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 10. This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in future earnings per share, and if it is in the best interests of shareholders generally.

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.

Further details of employee involvement are given under the Corporate Social Responsibility section on pages 11 and 12.

Health and safety

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

Supplier payment policy

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The group does not follow any code or standard on payment practice. Individual operating businesses within the group are responsible for establishing appropriate policies with regard to the

payment of their suppliers. The number of days' purchases outstanding for payment by the group at the year end was 51 (2011 – 71).

Financial instruments

Details of the use of financial instruments by the group are contained in note 19 and in note 4(a) 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 (as defined) and to establish that the auditors are aware of that information.

Significant agreements

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

Principal risks and uncertainties

Principal risks and uncertainties are set out on page 9 and in note 4(a) in the Notes to the Accounts.

Corporate Governance

Details of the group's corporate governance policies are dealt with on page 13.

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.

Directors' Report

continued

Approval of Directors' Report and Responsibility Statement

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

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

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

By order of the board

B. J. COOKE

Chairman

20 June 2012

Review of Principal Risks and Uncertainties

Risk

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

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

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

Foreign exchange risk

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

Operational and commercial risks

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

Market competition

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

Customer concentration, programme dependencies and relationships

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

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.

Suppliers

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.

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 ferrosilicon, 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. The group is exposed to price level changes in copper and molybdenum, which have seen dramatic increases in recent years. Where possible, the group seeks to mitigate the financial impact through the application of surcharges, although the success of this approach varies by customer. 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 surcharges. However, energy contracts relate to specified usage and if not obtained can result in penalties.

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

Advice is taken as to where to deposit funds, usually banks and building societies. Only highly rated institutions are used. However, institutions can be downgraded before maturity therefore possibly placing these deposits at risk.

Review of Principal Risks and Uncertainties *continued*

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.

Environmental risk

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

Pension scheme funding

The fair value of the assets and liabilities of the group's defined benefit pension schemes is substantial. As at 31st March 2012 the schemes were in surplus on an IAS 19 basis. Further details are set out in note 6 to the accounts. The potential risks and uncertainties 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 6th April 2009 which only leaves past service liabilities to be funded.

Trade credit

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.

Corporate Social Responsibility

General

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

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

The environment

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

Specifically, the company is committed to:

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

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

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

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

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

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

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

Employees

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

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

Employees are informed weekly of production levels and the relative

Corporate Social Responsibility

continued

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

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

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

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

Health and Safety

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

- To provide and maintain safe and healthy working conditions complying with all statutory conditions.
- To provide training and instruction to enable employees to perform their work safely and efficiently.
- To make available all necessary safety devices and protective equipment and to supervise their use.

- To maintain a constant and continuing interest in health and safety matters applicable to the group's activities, consulting and involving employees wherever possible.

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

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

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

Corporate Governance

General

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

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

Internal control

The board is ultimately responsible for the group's system of internal controls, including internal financial control, and for monitoring its effectiveness. There is a continuous process for identifying, evaluating and managing the significant risks faced by the group which is regularly reviewed and has been in place throughout the year under review and up to the date of approval of the annual report and accounts. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The review covers all controls including financial, operational, compliance and risk management.

The directors confirm that they have established procedures necessary to implement the guidance for directors such that they fully comply with the 2010 UK Corporate Governance Code for the accounting period ended on 31st March 2012.

Internal financial control

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

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

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

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

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

Auditors' independence

The non-audit work undertaken in the year by the group auditors, BDO LLP, was restricted to an involvement in the preparation of the tax computations and related tax advice of the group companies and a review of the interim financial statements.

Environment

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

Directors' conflicts of interest

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

The board has conducted a review of actual or possible conflicts of interest in respect of each director. At its meeting on 2nd October 2008, 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.

Corporate Governance

continued

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

| Director | Board | | Audit Committee | | Remuneration Committee | |
|---|--------------------|----------|--------------------|----------|------------------------|----------|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| B. J. Cooke | 8 | 8 | — | — | — | — |
| D. J. Gawthorpe | 8 | 8 | — | — | — | — |
| S. J. Mant | 8 | 8 | — | — | — | — |
| M. A. Lewis | 8 | 7 | — | — | — | — |
| G. Cooper | 8 | 8 | — | — | — | — |
| C. P. King | 8 | 7 | 2 | 2 | 1 | 1 |
| G. B. Wainwright | 8 | 7 | 2 | 1 | 1 | 1 |
| A. J. Smith (resigned on 31 March 2012) | 8 | 7 | 2 | 2 | 1 | 1 |

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

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

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

Board of directors

The board meets regularly to monitor the current state of business and to determine its future strategic direction. During the year the board comprised five executive directors and three non-executive directors. Two of 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.

On 31 March 2012, A. J. Smith resigned as non-executive director with A. N. Jones being appointed on 2 April 2012. A. Vicary was also appointed as an executive director on 2 April 2012.

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

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

To assist with the conduct of their function, the non-executive directors

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

Board committees

The principal committees established by the directors are:

Audit committee

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

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

Remuneration committee

As detailed in the remuneration report on page 15.

Nomination committee

This committee comprised 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 met once during the year.

Relations with shareholders

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

Going Concern

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

credit risk and liquidity risk are also set out in notes 17 and 19 to the accounts.

The directors' assessment included a review of the group's financial forecasts, and financial instruments for the 15 months from the balance sheet date. The directors considered a range of potential scenarios within the key markets the group serves and how these may impact on cash flow. The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 3. The directors also considered what mitigating actions the group could take to limit any adverse consequences.

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

Summary

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

For the year ended 31st March 2012 the company complied with the 2010 UK Corporate Governance Code other than the following points:

- There were three non-executive directors during the year, one of whom did not conform to the definition of independent. Although 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. Following the resignation of one non-executive director at the year end, a new independent non-executive was appointed on 2 April 2012.

- 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 with direct responsibility for the Brownhills site and through the managing directors of William Lee and CNC Speedwell. The chairman concentrates on the effective working of the board and overall group strategies and remains a high level contact with our main customers.
- The role of the financial director and company secretary are fulfilled by the same person as there is no one else within the group qualified to do the job and it would not be a full-time position. The board monitors the effectiveness of this arrangement annually.
- There is no formal arrangement whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The visibility of directors within the business is considered sufficient to enable any such issues to be raised.

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

Remuneration Report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. The report describes how the board has applied the principles relating to directors' remuneration. As required by the Act, a resolution will be proposed at the Annual General Meeting to approve the remuneration report for the financial year ended 31st March 2012.

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

Directors' Emoluments*

| | Salary/ fees £000 | Benefits (note 1) £000 | Performance related bonus £000 | 2012 Total £000 | 2011 Total £000 |
|---------------------|-------------------------|------------------------------|--------------------------------------|-----------------------|-----------------------|
| B. J. Cooke | 84 | 5 | 71 | 160 | 120 |
| D. J. Gawthorpe | 208 | 11 | 142 | 361 | 280 |
| S. J. Mant — Note 2 | 125 | 10 | 142 | 277 | 80 |
| M. A. Lewis | 152 | 10 | 142 | 304 | 225 |
| G. Cooper | 152 | 10 | 142 | 304 | 226 |
| C. P. King | 22 | — | — | 22 | 20 |
| G. B. Wainwright | 25 | — | — | 25 | 20 |
| A. J. Smith | 22 | — | — | 22 | 20 |
| | 790 | 46 | 639 | 1,475 | 1,136 |

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

Note 2 — In the prior year S. J. Mant was paid a salary of £31,000 and bonus of £23,000 in respect of the period prior to joining the Board.

Pension arrangements

Executive directors were contributing members of the Castings P.L.C. Staff Pension and Life Assurance Scheme, a

Remuneration committee

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

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

No advice has been provided by external advisers or consultants.

Remuneration policy

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

Executive directors' emoluments comprise annual salary, an annual bonus, membership of a company pension scheme and other benefits. The committee ordinarily reviews directors' salaries annually, effective from 1st

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

Remuneration in 2012

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.

defined benefit scheme, up to 5th April 2009. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The scheme provides for a pension accrued at 1/60th per year of service to 2005 and 1/80th per year thereafter. From 6th April 2009, they became deferred members.

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

From 6th April 2009, the executive

directors were able to join the Castings P.L.C. Money Purchase Pension Scheme, a defined contribution pension scheme. Pension contributions are not paid on benefits or bonuses. Total contributions of the company total 7% of pensionable earnings.

Four directors are members of the Money Purchase Pension Scheme.

Directors' pension entitlements*

| Name of director | Age at year end | Directors' contributions in the year (note 1) | Increase in accrued pension during the year | Increase in accrued pension during year net of inflation | Transfer value of increase net of inflation and directors' contributions | Accumulated total accrued pension at 31/03/2012 (note 2) | Accumulated total accrued pension at 31/03/2011 (note 2) | Transfer value of accrued benefits 31/03/2012 | Transfer value of accrued benefits 31/03/2011 | Difference in transfer values less |
|------------------|-----------------|---|---|--|--|--|--|---|---|------------------------------------|
| | | | | | | | | | | |
| D. J. Gawthorpe | 50 | — | 2,305 | — | — | 48,411 | 46,106 | 523,828 | 443,687 | 80,140 |
| M. A. Lewis | 48 | — | 1,072 | — | — | 22,507 | 21,435 | 232,829 | 203,140 | 29,689 |
| G. Cooper | 58 | — | 1,299 | — | — | 27,283 | 25,984 | 395,783 | 340,915 | 54,868 |

The following directors are members of the Castings P.L.C. Money Purchase Pension and Life Assurance Scheme and the contributions paid by Castings P.L.C. in respect of those directors over the year is set out below:

Contributions paid to 31/03/2012

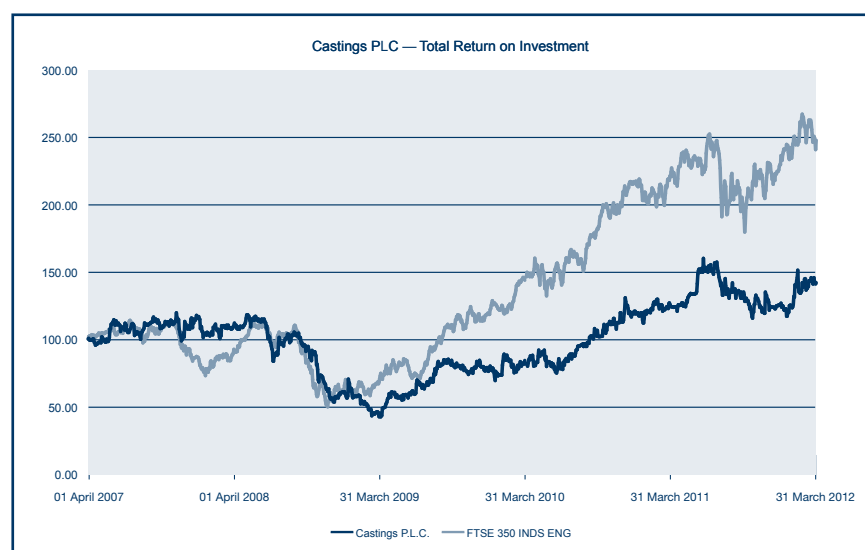
| | |
|-----------------|-------|
| D. J. Gawthorpe | 9,211 |
| S. J. Mant | 9,118 |
| M. A. Lewis | 9,202 |
| G. Cooper | 9,202 |

Notes to pension benefits:

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

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



Source: Thomson Financial – Thomson One Banker

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 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 2012.

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

On behalf of the board

G. B. WAINWRIGHT

Chairman of the remuneration committee

20 June 2012

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.

Directors' responsibilities pursuant to DTR 4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description or the principal risks and uncertainties that they face.

Independent Auditors' Report

To the members of Castings P.L.C.

We have audited the financial statements of Castings P.L.C. for the year ended 31st March 2012 which comprise the consolidated statement of comprehensive income, consolidated and parent company balance sheets, consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st March 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Articles 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 14 and 15 in relation to going concern; and
- the part of the corporate governance relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.
- certain elements of the report to shareholders by the board on directors' remuneration.

Stephen Ward (senior statutory auditor)

For and behalf of BDO LLP,

Statutory auditor

Birmingham
United Kingdom

20 June 2012

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 31st March 2012

| | Notes | 2012 £000 | 2011 £000 |
|---|-------|--------------|--------------|
| Revenue | 2 | 126,271 | 105,368 |
| Cost of sales | | (92,658) | (77,526) |
| Gross profit | | 33,613 | 27,842 |
| Distribution costs | | (1,665) | (1,909) |
| Administrative expenses | | | |
| Excluding exceptional | | (9,704) | (10,942) |
| Exceptional | 4 | 693 | 352 |
| Total administrative expenses | | (9,011) | (10,590) |
| Profit from operations | 3 | 22,937 | 15,343 |
| Finance income | 7 | 156 | 158 |
| Profit before income tax | | 23,093 | 15,501 |
| Income tax expense | 8 | (5,502) | (3,849) |
| Profit for the year attributable to equity holders of the parent company | | 17,591 | 11,652 |
| Other comprehensive income for the year: | | | |
| Change in fair value of available-for-sale financial assets | | 28 | — |
| Net actuarial gain/(loss) and movement in unrecognised surplus on defined benefit pension schemes | | (345) | (409) |
| Tax effect of gains and losses recognised directly in equity | | (7) | — |
| Total other comprehensive income for the year (net of tax) | | (324) | (409) |
| Total comprehensive income for the year attributable to the equity holders of the parent company | | 17,267 | 11,243 |
| Earnings per share attributable to the equity holders of the parent company | | | |
| Basic and diluted | 10 | 40.32p | 26.71p |

Notes to the accounts are on pages 24 to 43.

Consolidated Balance Sheet

31st March 2012

| | Notes | 2012 £000 | 2011 £000 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 62,226 | 55,889 |
| Financial assets | 12 | 495 | 467 |
| | | <u>62,721</u> | <u>56,356</u> |
| Current assets | | | |
| Inventories | 13 | 9,310 | 11,402 |
| Trade and other receivables | 14 | 30,191 | 30,956 |
| Cash and cash equivalents | | 17,805 | 13,707 |
| | | <u>57,306</u> | <u>56,065</u> |
| Total assets | | <u>120,027</u> | <u>112,421</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 18,863 | 25,113 |
| Current tax liabilities | | 2,983 | 1,546 |
| | | <u>21,846</u> | <u>26,659</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 16 | 5,577 | 5,647 |
| Total liabilities | | <u>27,423</u> | <u>32,306</u> |
| Net assets | | <u>92,604</u> | <u>80,115</u> |
| 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 | | 87,354 | 74,865 |
| Total equity | | <u>92,604</u> | <u>80,115</u> |

The accounts on pages 20 to 43 were approved and authorised for issue by the board of directors on 20 June 2012, and were signed on its behalf by:

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

Notes to the accounts are on pages 24 to 43.

Consolidated Cash Flow Statement

for the year ended 31st March 2012

| | Notes | 2012 £000 | 2011 £000 |
|---|-------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 23,093 | 15,501 |
| Adjustments for: | | | |
| Depreciation | | 6,188 | 5,606 |
| Loss/(profit) on disposal of property, plant and equipment | | 66 | (26) |
| Interest received | | (137) | (120) |
| Excess of employer pension contributions over income statement charge | | (345) | (409) |
| Decrease/(Increase) in inventories | | 2,092 | (3,584) |
| Decrease/(Increase) in receivables | | 765 | (12,219) |
| (Decrease)/Increase in payables | | (6,250) | 10,442 |
| Cash generated from operating activities | | 25,472 | 15,191 |
| Tax paid | | (4,142) | (2,099) |
| Interest received | | 137 | 120 |
| Net cash generated from operating activities | | 21,467 | 13,212 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment (net of adjustment – see note 11) | | (12,591) | (9,907) |
| Proceeds from disposal of property, plant and equipment | | — | 15 |
| Proceeds from disposal of financial assets | | — | 32 |
| Net cash used in investing activities | | (12,591) | (9,860) |
| Cash flow from financing activities | | | |
| Dividends paid to shareholders | | (4,778) | (4,363) |
| Net cash used in financing activities | | (4,778) | (4,363) |
| Net increase/(decrease) in cash and cash equivalents | | 4,098 | (1,011) |
| Cash and cash equivalents at beginning of year | | 13,707 | 14,718 |
| Cash and cash equivalents at end of year | 19 | 17,805 | 13,707 |
| Cash and cash equivalents: | | | |
| Short-term deposits | | 17,189 | 13,280 |
| Cash available on demand | | 616 | 427 |
| | | 17,805 | 13,707 |

Notes to the accounts are on pages 24 to 43.

Consolidated Statement of Changes in Equity

for the year ended 31st March 2012

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

| | Equity attributable to equity holders of the parent | | | | |
|--|---|-----------------------------|-----------------------------|---------------------------------|---------------|
| | Share capital ^{a)} | Share premium ^{b)} | Other reserve ^{c)} | Retained earnings ^{d)} | Total equity |
| | £000 | £000 | £000 | £000 | £000 |
| At 1st April 2010 | 4,363 | 874 | 13 | 67,985 | 73,235 |
| Total comprehensive income for the period ended 31st March 2011 | — | — | — | 11,243 | 11,243 |
| Dividends | — | — | — | (4,363) | (4,363) |
| At 31st March 2011 | <u>4,363</u> | <u>874</u> | <u>13</u> | <u>74,865</u> | <u>80,115</u> |

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

New standards effective in 2012 adopted by the group

The following new accounting standards have been adopted by the group in these financial statements:

- IAS 24 “Related Party Disclosures (Revised)” (effective date: 1 January 2011); and
- Improvements to IFRS (1 January 2011)

There has been no significant impact in respect of adopting these new standards.

Basis of accounting

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 1st April 2012 or later accounting periods but may be adopted early.

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

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

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain assets, and in accordance with applicable

Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the principal group IFRS accounting policies is set out below.

Basis of consolidation

The consolidated statement of comprehensive income and balance sheet include the accounts of the parent company and its subsidiaries made up to the end of the financial year. These subsidiaries include William Lee Limited and CNC Speedwell Limited, both of which are 100% owned and are based in the UK. Intercompany transactions and balances between group companies are eliminated in full.

Business combinations and goodwill

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

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

Revenue recognition

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

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

Post-retirement benefits

Two of the group’s pension plans are of a defined benefit type. Under IAS 19: Employee Benefits the employer’s portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the interest cost net of the expected return on assets in the plans also being credited to operating profit. Actuarial gains and losses are recognised directly in equity, in the statement of comprehensive income, and the balance sheet reflects the schemes’ surplus or deficit at the balance sheet date. A full valuation is carried out tri-annually using the projected unit credit method.

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

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

Property, plant and equipment

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

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

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

Inventories

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

Cash and cash equivalents

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

Foreign currencies

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

Financial Instruments

a) Financial assets

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

Available-for-sale assets

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

Loans and receivables

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

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

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

b) Financial liabilities

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

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

Financial liabilities measured at amortised cost

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

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

c) Share capital

The group's ordinary shares are classified as equity instruments. The group is not subject to any externally imposed capital requirements. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

Current and deferred tax

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

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

Notes to the Accounts

continued

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

Dividends

The final dividend is only recognised at the point it is declared and approved by the shareholders at the Annual General Meeting. Interim dividends are recognised on payment.

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.

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

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

Critical accounting estimates and judgements

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

Short-term deposits

See note 19 for further details.

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.

Inventory

The company reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that the recorded inventory is stated at the lower of cost and net realisable value. Factors that could impact estimated demand and selling prices include customer order scheduling, competitor actions, supplier prices and economic trends. See note 13 for further details.

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.

2 Operating segments

For internal decision making purposes, the group is organised into three operating companies which are considered to be the operating segments of the group: Castings plc and William Lee are aggregated into Foundry Operations and CNC Speedwell is the Machining Operation. The following shows the revenues, results and total assets by reportable segment in the year to 31st March 2012.

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

All non-current assets are based in the United Kingdom.

Notes to the Accounts

continued

2 Operating segments continued

The following shows the revenues, results and total assets by reportable segment in the year to 31st March 2011:

| | Foundry operations | Machining | Elimination | Total |
|---|-----------------------|-----------|-------------|---------|
| | £000 | £000 | £000 | £000 |
| Revenue from external customers | 97,163 | 8,205 | — | 105,368 |
| Inter-segmental revenue | 14,429 | 11,701 | — | 26,130 |
| Segmental result | 11,593 | 3,410 | (421) | 14,582 |
| Unallocated costs: | | | | |
| Exceptional credit for recovery of Icelandic Bank deposits previously written off | | | | 196 |
| Release of provision for Industrial Tribunal costs | | | | 156 |
| Excess of employer pension contributions over statement of comprehensive income charge | | | | 409 |
| Finance income | | | | 158 |
| Profit before income tax | | | | 15,501 |
| Total assets | 104,311 | 20,781 | (12,671) | 112,421 |
| Non-current asset additions | 3,419 | 6,488 | — | 9,907 |
| Depreciation | 2,882 | 2,724 | — | 5,606 |

All non-current assets are based in the United Kingdom

The geographical analysis of revenues by destination for the year is as follows:

| | 2012 £000 | 2011 £000 |
|-------------------------|--------------|--------------|
| United Kingdom | 42,531 | 42,617 |
| Sweden | 31,588 | 21,189 |
| Rest of Europe | 45,950 | 38,147 |
| North and South America | 4,877 | 2,436 |
| Other | 1,325 | 979 |
| | 126,271 | 105,368 |

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

Information about major customers

Included in revenues arising from Foundry operations are revenues of approximately £28,168,000 and £18,452,000 from two customers (2011 – £23,893,000 and £11,754,000).

3 Profit from operations

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| This has been arrived at after charging/(crediting): | | |
| Staff costs (note 5) | 34,021 | 30,793 |
| Cost of inventories recognised as an expense | 55,097 | 55,553 |
| Depreciation of property, plant and equipment | 6,188 | 5,606 |
| Fees payable to the company's auditors for the audit of the company's annual accounts | 25 | 25 |
| Fees payable to the company's auditors for other services: | | |
| – The audit of the company's subsidiaries | 26 | 26 |
| – Tax services | 10 | 10 |
| Loss/(profit) on disposal of property, plant and equipment | 66 | (8) |

4 Exceptional items

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Recovery of past provision for losses on deposits with Icelandic banks (see (a) below) | (693) | (196) |
| Provision for Industrial Tribunal costs (see (b) below) | — | (156) |
| | (693) | (352) |

a) The company reported in the year end 31st March 2009 that £1.86 million was included in other receivables as recoverable from various Icelandic banks. So far £2,749,000 has been received with the excess being shown as an exceptional credit.

b) The exceptional credit of £156,000 in 2011 relates to a provision for Industrial Tribunal costs made as at 31st March 2010 that was released due to the costs incurred being lower than the estimate made of £200,000.

5 Employee information

| Average number of employees during the year was: | 2012 | 2011 |
|--|-------|------|
| Production | 967 | 840 |
| Management and administration | 99 | 86 |
| | 1,066 | 926 |

Notes to the Accounts

continued

5 Employee information continued

| | 2012 £000 | 2011 £000 |
|---|---------------|---------------|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 30,430 | 27,754 |
| Defined contribution pension costs | 679 | 658 |
| Defined benefit pension cost (note 6) | (345) | (409) |
| Employer's national insurance contributions and similar taxes | 3,257 | 2,790 |
| | <u>34,021</u> | <u>30,793</u> |

In addition to the wages and salaries disclosed above, the group incurred costs of £816,000 (2011 — £1,429,000) in respect of agency workers.

The directors represent the key management personnel.

Details of their compensation are given in the Remuneration Report on page 16.

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 6th April 2009. The assets are independent of the finances of the group and are administered by Trustees.

In July 2010 the UK Government announced that the statutory minimum level of revaluation would in the future be calculated using the Consumer Price Index ("CPI") rather than the Retail Price Index ("RPI"). Following an independent review during the year, it was agreed that pension increases will be in line with the new statutory requirements. This change has been accounted for as an actuarial gain in these financial statements.

The latest actuarial valuation was performed with an effective date of 6th 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 6th April 2014.

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 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 6th April 2011 and updated to 31st March 2012 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):

| | 2012 | 2011 |
|---|------|------|
| Rate of increase of pensions in payment | 2.5% | 3.4% |
| Discount rate | 4.9% | 5.5% |
| Inflation assumption (RPI) | 3.2% | 3.4% |
| Inflation assumption (CPI) | 2.5% | n/a |

6 Pension disclosures under IAS 19 continued

| | 2012 £000 | 2011 £000 |
|--|---------------------------------------|---------------------------------------|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | 41,486 | 41,369 |
| Current service cost | — | — |
| Past service cost | 165 | — |
| Interest cost | 2,237 | 2,271 |
| Plan participants' contributions | — | — |
| Actuarial loss/(gain) | 35 | (520) |
| Benefits paid | (1,628) | (1,634) |
| Benefit obligation at end of year | <u>42,295</u> | <u>41,486</u> |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | 48,169 | 46,250 |
| Expected return on plan assets | 2,747 | 2,680 |
| Actuarial (loss)/gain | (225) | 873 |
| Employer contribution | — | — |
| Member contributions | — | — |
| Benefits paid | (1,628) | (1,634) |
| Fair value of plan assets at end of year | <u>49,063</u> | <u>48,169</u> |
| Funded status | 6,768 | 6,683 |
| Unrecognised pension surplus | (6,768) | (6,683) |
| Net amount recognised in the balance sheet | <u>—</u> | <u>—</u> |
| | Year to 31st March 2012 £000 | Year to 31st March 2011 £000 |
| Components of pension cost | | |
| Current service cost | — | — |
| Recognition of past service cost | 165 | — |
| Interest cost | 2,237 | 2,271 |
| Expected return on plan assets | (2,747) | (2,680) |
| Total pension cost recognised within administrative expenses (note 5) | <u>(345)</u> | <u>(409)</u> |
| Unrecognised pension surplus at beginning of year | 6,683 | 4,881 |
| Unrecognised pension surplus at end of year | (6,768) | (6,683) |
| Actuarial (loss)/gain for the year | (260) | 1,393 |
| Pension cost shown in Other Comprehensive Income | <u>345</u> | <u>409</u> |
| Cumulative amount of actuarial gains and losses immediately recognised | <u>11,972</u> | <u>11,712</u> |

Notes to the Accounts

continued

6 Pension disclosures under IAS 19 continued

Plan assets

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

| Assets category | Plan assets at 31st March 2012 | Plan assets at 31st March 2011 |
|-----------------|--------------------------------|--------------------------------|
| Equities | 66% | 69% |
| Bonds | 31% | 28% |
| Real estate | 3% | 3% |
| | 100% | 100% |

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.8% (2011 – 5.9%) assumption.

The projected pension cost for the year ending 31st March 2013 is a credit of £150,000.

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Actuarial return on plan assets | 2,522 | 3,553 |
| Weighted average assumptions used to determine benefit obligations: | | |
| Discount rate | 4.9% | 5.5% |
| Weighted average assumptions used to determine net pension cost: | | |
| Discount rate | 5.5% | 5.6% |
| Expected long-term return on plan assets | 5.8% | 5.9% |
| Rate of compensation increase | n/a | n/a |

6 Pension disclosures under IAS 19 continued

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

| | 2012 | | 2011 | |
|--|----------------------|------------------------|----------------------|------------------------|
| | Male Staff/Shopfloor | Female Staff/Shopfloor | Male Staff/Shopfloor | Female Staff/Shopfloor |
| Scheme member age 65 (current life expectancy) | 23.5/22.7 | 26.4/25.6 | 21.8/20.1 | 25.0/23.2 |
| Scheme member age 45 (life expectancy at age 65) | 25.6/24.7 | 28.4/27.5 | 23.6/21.9 | 26.9/25.1 |

* Mortality tables are S1NA (YOB) -1 for the Staff Scheme and S1NA (YOB) for the Shopfloor Scheme. A 1% p.a. floor in future improvements was included as at 31st March 2012 for the Staff Scheme and 1.5% for the Shopfloor Scheme.

History of experience gains and losses

Financial year ended in:

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|--------|--------|--------|----------|---------|
| Present value of defined obligation | 42,295 | 41,486 | 41,369 | 33,251 | 39,043 |
| Fair value of plan assets | 49,063 | 48,169 | 46,250 | 34,258 | 41,829 |
| Surplus | 6,768 | 6,683 | 4,881 | 1,007 | 2,786 |
| Difference between expected and actual return on scheme assets: | | | | | |
| amount (£000) | (225) | 873 | 10,187 | (11,054) | (4,781) |
| percentage of scheme assets | 0% | 2.0% | 22.0% | (32.0%) | (11.0%) |
| Experience gains and (losses) on scheme liabilities: | | | | | |
| amount (£000) | 1,954 | — | — | 86 | (2,033) |
| percentage of scheme liabilities | 5.0% | 0% | 0% | 0% | 5.0% |
| Total gains and (losses): | | | | | |
| amount (£000) | (260) | 1,393 | (592) | (2,955) | (2,748) |
| percentage of scheme assets | (1.0%) | 3.0% | (1.0%) | (10.0%) | (7.0%) |

7 Finance income

| | 2012 £000 | 2011 £000 |
|---------------------------------|--------------|--------------|
| Interest on short-term deposits | 137 | 120 |
| Income from listed investments | 19 | 18 |
| Other | — | 20 |
| | 156 | 158 |

Notes to the Accounts

continued

8 Income tax

| | 2012 £000 | 2011 £000 |
|--|---------------|---------------|
| Corporation tax based on a rate of 26% (2011 – 28%) | | |
| UK Corporation tax | | |
| Current tax on profits for the year | 5,725 | 3,924 |
| Adjustments to tax charge in respect of prior periods | (146) | (435) |
| | <u>5,579</u> | <u>3,489</u> |
| Deferred tax | | |
| Current year origination and reversal of temporary differences | 326 | 412 |
| Prior year deferred tax movement | 37 | 384 |
| Change in rate of corporation tax | (440) | (436) |
| | <u>5,502</u> | <u>3,849</u> |
| Taxation on profit on ordinary activities | 5,502 | 3,849 |
| Profit on ordinary activities before tax | <u>23,093</u> | <u>15,501</u> |
| Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011 – 28%) | 6,004 | 4,340 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 137 | 110 |
| Adjustment to tax charge in respect of prior periods | (146) | (435) |
| Adjustment to deferred tax charge in respect of prior periods | 37 | 384 |
| Change in rate of future tax | (440) | (436) |
| Pension adjustments | (90) | (114) |
| | <u>5,502</u> | <u>3,849</u> |
| Total tax charge for period | 5,502 | 3,849 |
| Effective rate of tax (%) | <u>23.8</u> | <u>24.8</u> |

9 Dividends

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| Final paid of 8.04p per share for the year ended 31st March 2011 (2011 – 7.29p) | 3,508 | 3,181 |
| Interim paid of 2.91p per share (2011 – 2.71p) | 1,270 | 1,182 |
| | <u>4,778</u> | <u>4,363</u> |

The directors are proposing a final dividend of 8.84 pence (2011 – 8.04 pence) per share totalling £3,858,820 (2011 – £3,508,000). 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 £17,591,000 (2011 – £11,652,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2011 – 43,632,068). There are no share options, hence the diluted earnings per share is the same as above.

11 Property, plant and equipment

| | Land and buildings £000 | Plant and other equipment £000 | Total £000 |
|---|-------------------------------|--------------------------------------|----------------|
| Cost | | | |
| At 1st April 2011 | 23,336 | 92,195 | 115,531 |
| Additions during year | 6,001 | 6,863 | 12,864 |
| Disposals | — | (1,303) | (1,303) |
| Adjustment to opening position | — | (273) | (273) |
| At 31st March 2012 | <u>29,337</u> | <u>97,482</u> | <u>126,819</u> |
| Depreciation and amounts written off | | | |
| At 1st April 2011 | 3,325 | 56,317 | 59,642 |
| Charge for year | 663 | 5,525 | 6,188 |
| Disposals | — | (1,237) | (1,237) |
| At 31st March 2012 | <u>3,988</u> | <u>60,605</u> | <u>64,593</u> |
| Net book values | | | |
| At 31st March 2012 | <u>25,349</u> | <u>36,877</u> | <u>62,226</u> |
| At 31st March 2011 | <u>20,011</u> | <u>35,878</u> | <u>55,889</u> |
| Cost | | | |
| At 1st April 2010 | 22,320 | 84,385 | 106,705 |
| Additions during year | 1,016 | 8,891 | 9,907 |
| Disposals | — | (1,081) | (1,081) |
| At 31st March 2011 | <u>23,336</u> | <u>92,195</u> | <u>115,531</u> |
| Depreciation and amounts written off | | | |
| At 1st April 2010 | 2,822 | 52,287 | 55,109 |
| Charge for year | 481 | 5,125 | 5,606 |
| Disposals | — | (1,073) | (1,073) |
| Reclassification | 22 | (22) | — |
| At 31st March 2011 | <u>3,325</u> | <u>56,317</u> | <u>59,642</u> |
| Net book values | | | |
| At 31st March 2011 | <u>20,011</u> | <u>35,878</u> | <u>55,889</u> |
| At 31st March 2010 | <u>19,498</u> | <u>32,098</u> | <u>51,596</u> |

The adjustment to the plant and other equipment opening position of £273,000 relates to an amendment to the cost of an asset acquired in a previous period. The figure for purchases of property plant and equipment in the cash flow statement of £12,591,000 is shown net of this adjustment.

The net book value of group land and buildings includes £2,527,000 (2011 – £2,527,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2011 – £359,000).

Notes to the Accounts

continued

12 Financial assets

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| Available-for-sale assets | 495 | 467 |
| At 1st April 2011 | 467 | 480 |
| Disposals | — | (13) |
| Net gains/(losses) transferred to statement of comprehensive income | 28 | — |
| At 31st March 2012 | 495 | 467 |

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

| | 2012 £000 | 2011 £000 |
|------------------|--------------|--------------|
| Raw materials | 3,107 | 3,169 |
| Work in progress | 2,424 | 2,946 |
| Finished goods | 3,779 | 5,287 |
| | 9,310 | 11,402 |

Inventories are net of impairment provisions of £742,000 (2011 – £272,000).

14 Trade and other receivables

| | 2012 £000 | 2011 £000 |
|----------------------|--------------|--------------|
| Due within one year: | | |
| Trade receivables | 23,297 | 23,537 |
| Other receivables | 1,225 | 3,310 |
| Prepayments | 5,669 | 4,109 |
| | 30,191 | 30,956 |

15 Trade and other payables

| | 2012 £000 | 2011 £000 |
|-----------------------------------|--------------|--------------|
| Current trade and other payables: | | |
| Trade payables | 11,900 | 15,893 |
| Social security | 1,939 | 2,118 |
| Other payables | 255 | 422 |
| Accruals | 4,769 | 6,680 |
| | 18,863 | 25,113 |

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in 2013 of 24% (2011– 26%). The movement on the deferred tax account is shown below:

Deferred tax – net

| | 2012 £000 | 2011 £000 |
|-------------------------------------|--------------|--------------|
| At 1st April 2011 | 5,647 | 5,287 |
| Taken to equity | 7 | – |
| (Credit)/charge to income statement | (77) | 360 |
| At 31st March 2012 | <u>5,577</u> | <u>5,647</u> |

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

Deferred tax liabilities

| | Accelerated tax depreciation £000 | Pension Adjustment £000 | Other £000 | Total £000 |
|--|---|-------------------------------|---------------|---------------|
| At 1st April 2011 | 6,054 | (168) | (239) | 5,647 |
| Charged to profit | (323) | 168 | 78 | (77) |
| Charged to other comprehensive income | – | – | 7 | 7 |
| At 31st March 2012 | <u>5,731</u> | <u>–</u> | <u>(154)</u> | <u>5,577</u> |

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

| | Accelerated tax depreciation £000 | Pension Adjustment £000 | Other £000 | Total £000 |
|--------------------|---|-------------------------------|---------------|---------------|
| At 1st April 2010 | 6,156 | (525) | (344) | 5,287 |
| Charged to profit | (102) | 357 | 105 | 360 |
| At 31st March 2011 | <u>6,054</u> | <u>(168)</u> | <u>(239)</u> | <u>5,647</u> |

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

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Tax on pension adjustments | – | – |
| Tax on change in fair value of available-for-sale financial assets | 7 | – |
| Tax on items taken directly to reserves | <u>7</u> | <u>–</u> |

The total tax on items taken directly to reserves is £7,000 (2011 – £nil) which includes £nil (2011 – £nil) of current tax on pension adjustments taken directly to reserves.

Notes to the Accounts

continued

17 Share capital

| | 2012 | 2011 |
|--|-------|-------|
| | £000 | £000 |
| Authorised 50,000,000 10p ordinary shares | 5,000 | 5,000 |
| Allotted and fully paid 43,632,068 10p ordinary shares | 4,363 | 4,363 |

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

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

18 Commitments

| | 2012 | 2011 |
|--|------|-------|
| | £000 | £000 |
| Capital commitments contracted for by the group but not provided for in the accounts | 348 | 1,609 |

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.

The added credit risks associated with bank deposits have led the group to only use major UK banks and to hold amounts on deposit for shorter periods.

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
- 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 | |
|--------------------------------|-----------------------|---------------|
| | 2012 | 2011 |
| | £000 | £000 |
| Current financial assets | | |
| Trade receivables | 23,297 | 23,537 |
| Other receivables | 1,225 | 3,310 |
| Cash and cash equivalents | 17,805 | 13,707 |
| Total current financial assets | <u>42,327</u> | <u>40,554</u> |

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

Notes to the Accounts

continued

19 Financial instrument risk exposure and management continued

| | Financial liabilities measured at amortised cost | |
|-------------------------------------|---|--------------|
| | 2012 £000 | 2011 £000 |
| Current financial liabilities | | |
| Trade payables | 11,900 | 15,893 |
| Other payables | 255 | 422 |
| Accruals | 4,769 | 6,680 |
| Total current financial liabilities | 16,924 | 22,995 |

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 31st March 2012, trade receivables of £23,240,000 (2011 – £23,216,000) were not past due. Against these balances no impairment provisions were made.

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.

The carrying value of the group's trade receivables is denominated in the following currencies:

| | 2012 £000 | 2011 £000 |
|----------|--------------|--------------|
| Sterling | 17,765 | 17,822 |
| Euro | 5,426 | 5,634 |
| US\$ | 106 | 81 |
| | 23,297 | 23,537 |

19 Financial instrument risk exposure and management continued

At 31st March 2012 trade receivables of £57,000 (2011 – £321,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

| | 2012 £000 | 2011 £000 |
|------------|--------------|--------------|
| 30–60 days | – | 233 |
| 60–90 days | 8 | 40 |
| 90+ days | 49 | 48 |
| | <u>57</u> | <u>321</u> |

At 31st March 2012 trade receivables of £25,000 (2011 – £209,000) were past due and impaired. The amount of the provision at 31st March 2012 was £385,000 (2011 – £359,000). The ageing of these receivables is as follows:

| | 2012 £000 | 2011 £000 |
|------------|--------------|--------------|
| 30–60 days | 5 | 22 |
| 60–90 days | 3 | 60 |
| 90+ days | 17 | 127 |
| | <u>25</u> | <u>209</u> |

The group records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarised below:

| | 2012 £000 | 2011 £000 |
|-----------------------------------|--------------|--------------|
| Opening balance | 359 | 517 |
| Increase/(decrease) in provisions | 26 | (155) |
| Written off against provisions | (2) | – |
| Recovered amounts reversed | 2 | (3) |
| Closing balance | <u>385</u> | <u>359</u> |

Impairment losses on trade receivables of £26,000 (2011 – credit of £158,000) 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.

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).

Notes to the Accounts

continued

19 Financial instrument risk exposure and management continued

The group balance sheet is exposed to market risk in two main ways. Firstly, the group holds some strategic equity investments in other companies where these complement the group's operations (see note 12).

Furthermore, where the group has generated a significant amount of surplus cash it will invest in high quality instruments if liquidity risk is not unduly compromised. Although the directors on investing in such instruments never intend to dispose of investments before maturity, they cannot guarantee this will never happen and therefore do not classify these instruments as 'held to maturity' in the consolidated balance sheet.

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

Interest rate and currency risk

The group does not have any financial liabilities subject to interest rate risk at the balance sheet date (2011 – £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 £2,700,000 (2011 – £nil). 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 £1.7 million (2011 – £1.7 million) were unused and available to the group to enable them to enter into forward exchange contracts.

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

| | Floating rate assets | Fixed rate assets | Interest-free assets | Total |
|----------|-------------------------|----------------------|-------------------------|---------------|
| | 2012 | 2012 | 2012 | |
| | £000 | £000 | £000 | £000 |
| Sterling | 13 | 15,835 | 17,766 | 33,614 |
| US\$ | 145 | — | 106 | 251 |
| Euro | 464 | 1,348 | 5,426 | 7,238 |
| | <u>622</u> | <u>17,183</u> | <u>23,298</u> | <u>41,103</u> |
| | Floating rate assets | Fixed rate assets | Interest-free assets | Total |
| | 2011 | 2011 | 2011 | |
| | £000 | £000 | £000 | £000 |
| Sterling | 17 | 12,313 | 17,822 | 30,152 |
| US\$ | 122 | — | 81 | 203 |
| Euro | 286 | 969 | 5,634 | 6,889 |
| | <u>425</u> | <u>13,282</u> | <u>23,537</u> | <u>37,244</u> |

19 Financial instrument risk exposure and management continued

| | Interest- free liabilities 2012 £000 | Interest- free liabilities 2011 £000 |
|----------|--|--|
| Sterling | 10,857 | 14,903 |
| US\$ | — | — |
| Euro | 1,043 | 990 |
| | 11,900 | 15,893 |

Fixed rate assets attracted interest rates between 0.75% to 1.65% (2011 – 0.75% to 1.30%) 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 £97,000/(£80,000) (2011 – £60,000/(£70,000)).

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 (£258,000)/£286,000 (2011 – (£268,000)/£297,000).

Derivative Financial Instruments

In prior periods the group entered into contracts to purchase electricity. These contracts contained clauses which met the definition of a derivative. At the point of initial recognition the derivative had no value and as the contracts ended during the year there was no derivative at the balance sheet date. During the prior year the Statement of Comprehensive Income was credited with £1,053,000 under the heading Cost of Sales. This amount reflected the additional rebates as a result of higher than predicted usage. There has been no contract of this nature relating to the current year.

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 31st March | 2012 £000 | 2011 £000 | 2010 £000 | 2009 £000 | 2008 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Trading results | | | | | |
| Revenue | 126,271 | 105,368 | 60,649 | 84,812 | 97,372 |
| Profit before tax | 23,093 | 15,501 | 9,804 | 3,616 | 16,664 |
| Profit after tax | 17,591 | 11,652 | 7,638 | 622 | 11,996 |
| Dividends | 4,778 | 4,363 | 4,363 | 4,363 | 4,210 |
| Balance sheet summary | | | | | |
| Equity | | | | | |
| Share capital | 4,363 | 4,363 | 4,363 | 4,363 | 4,363 |
| Reserves | 88,241 | 75,752 | 68,872 | 69,314 | 73,494 |
| Total equity | 92,604 | 80,115 | 73,235 | 73,677 | 77,857 |
| Assets | | | | | |
| Property, plant and equipment | 62,226 | 55,889 | 51,596 | 53,408 | 38,772 |
| Financial assets | 495 | 467 | 480 | 429 | 736 |
| Deferred tax asset | — | — | — | — | — |
| Current assets | 62,721 | 56,356 | 52,076 | 53,837 | 39,508 |
| Total liabilities | (27,423) | (32,306) | (20,526) | (17,219) | (22,787) |
| | 92,604 | 80,115 | 73,235 | 73,677 | 77,857 |
| Dividends and earnings | | | | | |
| Pence per share paid | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Number of times covered | 3.7 | 2.7 | 1.7 | — | 2.8 |
| Earnings per share — basic and diluted | 40.32p | 26.71p | 17.51p | 1.43p | 27.49p |

Parent Company Accounts Under UK GAAP

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

Parent Company Balance Sheet

31st March 2012

| | Notes | 2012 £000 | 2011 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Tangible assets | 4 | 16,342 | 11,809 |
| Investments | 5 | 5,776 | 5,749 |
| | | <hr/> | <hr/> |
| | | 22,118 | 17,558 |
| Current assets | | | |
| Stocks | 6 | 5,319 | 7,536 |
| Debtors | 7 | 25,475 | 25,328 |
| Short-term deposits | | 12,878 | 10,516 |
| Cash at bank and in hand | | 217 | 217 |
| | | <hr/> | <hr/> |
| | | 43,889 | 43,597 |
| Creditors — amounts falling due within one year | 8 | 14,077 | 14,793 |
| | | <hr/> | <hr/> |
| Net current assets | | 29,812 | 28,804 |
| Total assets less current liabilities | | 51,930 | 46,362 |
| Provisions for liabilities | 9 | (594) | (494) |
| | | <hr/> | <hr/> |
| | | 51,336 | 45,868 |
| 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 | 46,086 | 40,618 |
| | | <hr/> | <hr/> |
| Shareholders' funds | | 51,336 | 45,868 |

The parent company accounts on pages 45 to 51 were approved and authorised for issue by the board of directors on 20 June 2012, and were signed on its behalf by:

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

Notes to the accounts are on pages 46 to 51.

Notes to the Parent Company Accounts

The Directors' Report is on pages 5 to 8 of the Annual Report and Accounts

1 Accounting policies

Basis of accounting

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

Depreciation

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

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

Freehold land is not depreciated.

Pension costs

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

Turnover

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

Stocks

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

Foreign currencies

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

Deferred tax

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially 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 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 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.

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 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 discounting estimated future cash flows using a market rate of interest.

c) Share capital

The group's ordinary shares are classified as equity instruments. The group is not subject to any externally imposed capital requirements. 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.

Notes to the Parent Company Accounts

The Directors' Report is on pages 5 to 8 of the Annual Report and Accounts

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 £10,218,000 (2011 – £4,722,000).

The profit and loss account includes £25,000 (2011– £25,000) for audit fees.

3 Dividends

Final paid of 8.04p per share for the year ended 31st March 2011 (2011 – 7.29p)
Interim paid of 2.91p per share (2011 – 2.71p)

| 2012 | 2011 |
|--------------|--------------|
| £000 | £000 |
| 3,508 | 3,181 |
| 1,270 | 1,182 |
| <u>4,778</u> | <u>4,363</u> |

The directors are proposing a final dividend of 8.84 pence (2011 – 8.04 pence) per share totalling £3,858,820 (2011 – £3,508,000). This dividend has not been accrued at the balance sheet date.

4 Fixed assets

| | Land and buildings | Plant and other equipment | Total |
|--------------------------------------|-----------------------|---------------------------------|---------------|
| | £000 | £000 | £000 |
| Cost | | | |
| At 1st April 2011 | 10,528 | 24,104 | 34,632 |
| Additions during year | 5,130 | 252 | 5,382 |
| At 31st March 2012 | <u>15,658</u> | <u>24,356</u> | <u>40,014</u> |
| Depreciation and amounts written off | | | |
| At 1st April 2011 | 2,143 | 20,680 | 22,823 |
| Charge for year | 270 | 579 | 849 |
| At 31st March 2012 | <u>2,413</u> | <u>21,259</u> | <u>23,672</u> |
| Net book values | | | |
| At 31st March 2012 | <u>13,245</u> | <u>3,097</u> | <u>16,342</u> |
| At 31st March 2011 | <u>8,385</u> | <u>3,424</u> | <u>11,809</u> |

The net book value of land and buildings includes £2,127,000 (2011 – £2,127,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2011 – £359,000).

5 Investments

| | 2012 £000 | 2011 £000 |
|------------------------------------|--------------|--------------|
| Subsidiary companies | | |
| At cost | 5,281 | 5,281 |
| Listed investments at market value | 495 | 468 |
| | <u>5,776</u> | <u>5,749</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 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 (2011 – £12,000) and the change in fair value taken to equity is £27,000 (2011 – £nil).

6 Stocks

| | 2012 £000 | 2011 £000 |
|------------------|--------------|--------------|
| Raw materials | 884 | 1,019 |
| Work in progress | 1,809 | 2,462 |
| Finished goods | 2,626 | 4,055 |
| | <u>5,319</u> | <u>7,536</u> |

7 Debtors

| | 2012 £000 | 2011 £000 |
|--------------------------------------|---------------|---------------|
| Due within one year: | | |
| Trade debtors | 15,733 | 14,797 |
| Amounts owed by subsidiary companies | 4,012 | 4,286 |
| Other debtors | 1,224 | 3,309 |
| Prepayments and accrued income | 4,506 | 2,936 |
| | <u>25,475</u> | <u>25,328</u> |

8 Creditors

| | 2012 £000 | 2011 £000 |
|--------------------------------------|---------------|---------------|
| Due within one year: | | |
| Trade creditors | 5,063 | 7,021 |
| Amounts owed to subsidiary companies | 3,272 | 2,498 |
| Corporation tax | 2,009 | 926 |
| Other taxation and social security | 1,003 | 885 |
| Other creditors | 92 | 101 |
| Accruals and deferred income | 2,638 | 3,362 |
| | <u>14,077</u> | <u>14,793</u> |

Notes to the Parent Company Accounts

continued

9 Provisions for liabilities

| | 2012 £000 | 2011 £000 |
|--------------------------------------|--------------|--------------|
| Deferred taxation | | |
| At 1st April 2011 | 494 | 181 |
| Taxation deferred this year | 100 | 313 |
| At 31st March 2012 | <u>594</u> | <u>494</u> |
| Deferred tax is provided as follows: | | |
| Accelerated capital allowances | 612 | 668 |
| Other timing differences | (18) | (174) |
| | <u>594</u> | <u>494</u> |

10 Called up share capital

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| 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>4,363</u> |

11 Reserves

| | Share capital £000 | Share premium £000 | Other reserve £000 | Retained earnings £000 | Total equity £000 |
|--------------------------------------|--------------------------|--------------------------|--------------------------|------------------------------|-------------------------|
| At 1st April 2011 | 4,363 | 874 | 13 | 40,618 | 45,868 |
| Profit retained | — | — | — | 5,440 | 5,440 |
| Changes in fair value of investments | — | — | — | 28 | 28 |
| At 31st March 2012 | <u>4,363</u> | <u>874</u> | <u>13</u> | <u>46,086</u> | <u>51,336</u> |

12 Reconciliation of movements in shareholders' funds

| | 2012 £000 | 2011 £000 |
|--------------------------------------|--------------|--------------|
| Profit for the year | 10,218 | 4,722 |
| Changes in fair value of investments | 28 | – |
| Dividends | (4,778) | (4,363) |
| Net increase to shareholders' funds | 5,468 | 359 |
| Opening shareholders' funds | 45,868 | 45,509 |
| Closing shareholders' funds | 51,336 | 45,868 |

13 Pensions

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

14 Capital commitments

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Authorised, but not provided in the accounts | – | 14 |

Notice of Meeting

Notice is hereby given that the one hundred and third 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 14th August 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 31st March 2012.
- 2 To declare a final dividend.
- 3 To re-elect Mr D. J. Gawthorpe as a director.
- 4 To elect Mr A. Vicary as a director.
- 5 To elect Mr A.N. Jones as a director.
- 6 To approve the directors' remuneration report for the year ended 31st March 2012.
- 7 To reappoint BDO LLP as auditors of the Company at a fee to be agreed with the directors.

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

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

As an ordinary resolution

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

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

- (c) the foregoing authority shall be in substitution for the authorities given to the directors under the Companies Act 2006 on 16th August 2011, which authorities are accordingly hereby revoked;
- (d) this authority will be put to annual shareholder approval.

As special business

As special resolutions

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

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

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

10 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of the Companies Act 2006 to make one or more market purchases of any of its ordinary shares of 10p each (the 'ordinary shares'), provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844 representing 9.99% of the issued share capital at 31st March 2012;
- (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 20th July 2012. Assuming the final dividend is approved by the members, the dividend will be paid on 17th August 2012.

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 10th August 2012. 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.

20th June 2012

Note:

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

Beneficial owners:

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

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

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

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

Directors, Officers and Advisers

Directors

B. J. Cooke, AdvDipNFC, FICME *Chairman*
D. J. Gawthorpe, BSc (Hons), MICME *Chief Executive*
S. J. Mant, FCA *Finance Director*
M. A. Lewis *Managing Director, CNC Speedwell Ltd*
G. Cooper *Managing Director, William Lee Ltd*
A. Vicary, BEng MSc *Managing Director, Brownhills*
G. B. Wainwright, MCMI, MIEx, FRSA *Non-executive*
C. P. King, FCA *Non-executive*
A. N. Jones, 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 Registrars
The Registry,
34 Beckenham Road,
Beckenham,
Kent, BR3 4TU
Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras,
lines are open 8.30 am to 5.30 pm Mon–Fri)
Fax: 020 8658 3430

Auditors

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

Solicitors

Enoch Evans LLP
St Paul's Chambers,
6/9 Hatherton Road,
Walsall,
West Midlands, WS1 1XS

Pinsent Masons LLP
3 Colmore Circus,
Birmingham, B4 6BH

Bankers

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

Stockbrokers

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

Registered No.

91580

Shareholder Information

Capital gains tax

The official price of Castings P.L.C. ordinary shares on 31st March 1982, adjusted for bonus issues, was 4.92 pence.

Warning to shareholders

The following guidance has been issued by the Financial Services Authority:

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

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register.
- The FSA 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 FSA 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. The FSA can be contacted by completing an online form at:

www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

- If the calls persist, hang up.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

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.

Shareholder Notes

CASTINGS P.L.C.

Castings PLC
Lichfield Road
Brownhills
West Midlands
WS8 6JZ