Castings P.L.C.
Annual Financial Report
DTR 6.3.5 Disclosure
Year ended 31 March 2019

Chairman's Statement

The turnover of the group increased to £150 million (£133 million last year) with an increase in profit before exceptional items and income tax to £15.3 million compared to £12.0 million last year.

Foundry businesses
The foundries have seen an increase in output and improved profitability compared to the previous year. Whilst profit margins reduced in the first half of the year, we have seen a strong performance in the second half which has seen margins in excess of the previous year. Our investment in robotic handling and other process automation have contributed to a rise in productivity during the year along with process quality improvements. Further investments will continue to be made where cost savings can be identified. It is pleasing to report that William Lee has continued to improve both production and productivity.

CNC Speedwell
With the new management team having been in place for the full year, the business has been brought back under operational control; output levels are such that the significant levels of extra transport costs ceased early in the year and the loss for the year has reduced.

The engineering improvements being made on specific parts have started to improve the profitability, particularly towards the end of the financial year and will continue during 2019/20. Inevitably it will take time before we see the full benefit of the changes implemented, but we expect the trading results of CNC Speedwell Limited to improve again during this financial year.

Outlook
It appears at the present time our order book is sound and schedules remain stable. In particular demand for commercial vehicles is currently strong and it is hoped this trend will continue.

Dividend
I am pleased to report that the directors recommend an increase in the final dividend to 11.40 pence per share to be paid on 27 August 2019 to shareholders on the register on 19 July 2019. This, together with the interim dividend, gives a total dividend for the year of 14.78 pence per share.

Supplementary dividend
In addition to the final dividend set out above, the board has reviewed the cash position of the group and considered the balance between increasing returns to shareholders whilst retaining flexibility for capital and other investment opportunities. As a result, the directors are declaring a supplementary dividend of 15.00 pence per share to be paid on 23 July 2019 to shareholders on the register on 21 June 2019. This dividend, being discretionary and non-recurring, does not compromise our commitment to invest in market leading technologies to maintain our competitive advantage.

Directors
On 31 March 2019, Gerard Wainwright retired as non-executive director after nearly 21 years' service. I would like to thank him for his invaluable contribution to the company during that time.

As part of our succession planning, Andrew Eastgate was appointed to the board as non-executive director on 1 September 2018. Having been a partner at Pinsents and non-executive director at Headlam Group plc and Epwin Group plc, Andrew will bring significant relevant experience to the group.

I wish to thank all our employees for their continued hard work during the year.

B. J. Cooke
Chairman

12 June 2019

Business and Financial Review

Overview of business segment performance

The segmental revenue and results for the current and previous years are set out in note 2. An overview of the performance, position and future prospects of each segment, and the relevant KPIs, are set out below.

Key Performance Indicators

The key performance indicators considered by the group are:

- Segmental revenue
- Segmental profit
- EPS
- Net cash
- Dividends per share

Foundry operations

The foundry businesses have experienced an increase in output of 6.1% to 52,200 tonnes and an increase in external sales revenue of 12.7% to £143.1 million.

The trend of an increase in more complex, machined parts has continued in the year. Of the total output weight for the year, 55.6% related to machined castings compared to 52.9% in the previous year.

Whilst price increases on steel scrap and other alloys have continued in the year, this has been at a lower level such that the impact on sales revenue is less significant compared to the previous year.

The segmental profit has increased to £16.8 million, from £16.1 million in the previous year, which represents a profit margin of 10.2% on total segmental sales (2018 – 11.0%). The decline in margin occurred in the first half of the year (8.7%), with the second half margin on total segmental sales increasing to 11.5%.

The aligning of production methods across the foundries and productivity improvements have continued with William Lee increasingly contributing to the overall segment profitability.

Investment of £3.5 million has been made in the foundry businesses to support productivity improvements, approximately £2.0 million of which has been on automation projects.

With customer requirements forecast to remain steady at the current levels, particularly in the commercial vehicles sector, our focus will be on our continuous efforts to improve productivity to enhance the margin of this segment.

Machining

The machining business generated total sales of £27.8 million in the year compared to £24.8 million in the previous year. Of the total revenue, 25.8% was generated from external customers compared to 25.2% in 2018.

The segmental result for the year was a loss of £1.34 million (2018 – loss of £3.95 million).

The new management team in the machining business has now been in place for just over 12 months. The initial focus during this period was to stabilise operations and ensure customer schedules were met. Having achieved supply stability, the initiatives implemented during this time have now started to positively impact results, particularly in the final quarter of the financial year. These improvements will have an increasing impact on results during the current year, although it will still take time before the gains are fully realised.

The closure of the Fradley site was completed during the year and the machining business was consolidated to operate from the facility at Brownhills.

We have invested £1.9 million during the year, which is significantly lower than the previous year, as management remain focused on ensuring an enhanced return on the capital already invested in the machining business. This investment included the successful introduction of two pilot automation cells with the roll-out of automation to continue during 2019/20 and beyond.

Management is now applying a greater focus on maintaining existing equipment to ensure the asset returns are maximised thus removing the need for further investment in capacity. Consequently the useful economic lives of the recently acquired items of plant and machinery was reviewed during the year. It was determined that a life of 15 years is more appropriate than the 10 years previously used. This life is within the range set out in the group accounting policies and the change has resulted in a reduction of the depreciation charge for the period of £1.0 million.

Business review and performance

Revenue

Group revenues increased by 12.7% to £150.2 million compared to £133.3 million reported in 2018, of which 76% was exported (2018 – 73%).

The revenue from the foundry operations to external customers increased 12.7% to £143.1 million (2018 – £127.0 million) with the dispatch weight of castings to third-party customers increasing 6.1% to 52,200 tonnes (2018 – 49,200 tonnes).

Revenue from the machining operation to external customers increased by 14.5% during the year to £7.2 million (2018 – £6.3 million).

Operating profit and segmental result

The group operating profit for the year was £13.9 million compared to £11.9 million reported in 2018, which represents a return on sales of 9.3% (2018 – 9.0%). However, this result includes exceptional costs of £1.28 million, primarily relating to a defined benefit pension charge connected with the equalisation of guaranteed minimum pensions between men and women (as set out in note 4); an adjusted return on sales figure would be 10.1% (2018 - 8.9%).

The foundry operations returned a segmental profit of £16.8 million compared to £16.1 million in 2018. This represents a slight decrease in segmental profit as a percentage of total segment sales to 10.2% from 11.0% in 2018.

The segmental result of the machining operation was a loss of £1.34 million in the year compared to £3.95 million in 2018.

Icelandic bank receipts

During the year we have received £0.02 million (2018 – £0.11 million) in respect of the failed Icelandic banks.

Finance income

The level of finance income has remained consistent to the prior year at £0.13 million.

Profit before income tax and exceptional items

Profit before income tax and exceptional items has increased to £15.3 million from £12.0 million.

Taxation

The current year tax charge of £3.04 million (2018 – £2.28 million) is made up of a current tax charge of £3.17 million (2018 – £2.72 million) and a deferred tax credit of £0.13 million (2018 – £0.44 million).

The effective rate of tax of 21.6% (2018 – 18.9%) is higher than the main rate of corporation tax of 19%. The main reason for this is the impact of the pension adjustments of £1.29 million relating to GMP equalisation and £0.24 million of administrative costs, in respect of the pension schemes, neither of which are deductible for taxation purposes.

Earnings per share

Basic earnings per share increased 12.3% to 25.23 pence (2018 – 22.46 pence), reflecting the 16.3% increase in profits and a higher effective tax rate compared to the previous year.

Due to the nature and magnitude of the exceptional items, an alternative earnings per share excluding exceptional items has been presented; this has increased by 26.8% to 28.16 pence (2018 - 22.21 pence).

There has been no change in the weighted average number of shares in issue of 43,632,068.

Dividends

The directors are recommending an increase in the final dividend to 11.40 pence per share (2018 – 11.12 pence per share) to be paid on 27 August 2019 to shareholders on the register on 19 July 2019. This would give a total normal distribution for the year of 14.78 pence per share (2018 – 14.50 pence per share).

In addition, a supplementary dividend of 15.00 pence per share has been declared which will be payable on 23 July 2019 to shareholders on the register on 21 June 2019.

Cash flow

The group generated cash from operating activities of £18.2 million compared to £17.4 million in 2018. When compared to 2018, the increase in operating profit was partially offset by the greater increase in working capital than in 2018. The increase in payables of £2.0 million was offset by increases in inventory and receivables of £2.9 million and £4.4 million respectively.

Corporation tax payments during the year totalled £2.7 million compared to £3.2 million in 2018, reflecting the timing of quarterly payments.

Capital expenditure during the year amounted to £5.3 million (2018 – £11.2 million). This included investment of £2.0 million in automation as well as other productivity enhancements. The charge for depreciation was £8.3 million compared to £8.5 million in 2018.

The current interest-bearing deposit of £4.9 million taken out in the previous year matured with £5.0 million rolled over to mature during the next financial year; the net movement being an increase of £0.1 million in current interest-bearing deposits.

Repayments of £4.5 million (2018 – £3.1 million) were received from the final salary pension schemes during the year and advances were made to the schemes of £2.4 million (2018 – £3.3 million). The lower level of advances reflects the reduction in value of deferred members transferring out of the schemes.

Dividends paid to shareholders were £6.3 million in the year compared to £6.1 million in 2018.

The net cash and cash equivalents movement for the year was an increase of £6.6 million (2018 – a decrease of £3.1 million).

At 31 March 2019, the total cash and deposits position at the balance sheet date is £30.8 million (2018 – £24.1 million).

Pensions

The pension valuation showed an increase in the surplus, on an IAS 19 (Revised) basis, to £24.4 million compared to £22.6 million in the previous year. This includes an increase in the expected future liabilities of £1.29 million in respect of guaranteed minimum pension equalisation.

The pension surplus continues not to be shown on the balance sheet due to the IAS 19 (Revised) restriction of recognition of assets where the company does not have an unconditional right to receive returns of contributions or refunds.

Balance sheet

Net assets at 31 March 2019 were £134.4 million (2018 – £128.1 million). Other than the total comprehensive income for the year of £12.6 million, the only movement relates to the dividend charge of £6.3 million.

Non-current assets have decreased to £71.8 million (2018 – £76.9 million) primarily as a result of reduced investment in property, plant and equipment during the year and the transfer of the Fradley property (written down value of £1.1 million) to assets held for sale. In addition, the continued planned repayments of the pension scheme debtor means the longer term element has been fully repaid (2018 – £1.1 million), details of which are set out in note 6.

Current assets have increased to £92.1 million (2018 – £78.4 million). The level of inventories and receivables have increased compared to 2018 along with the asset reclassified as held for resale and total cash balances.

Total liabilities have increased to £29.5 million (2018 – £27.2 million), largely as a result of an increase in trade payables.

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2019

	2019 Before exceptional items £000	2019 Exceptional items (note 4) £000	2019 Total £000	2018 Before exceptional items £000	2018 Exceptional items (note 4) £000	2018 Total £000
Revenue	**150,236**	**—**	**150,236**	133,276	—	133,276
Cost of sales	**(118,129)**	**—**	**(118,129)**	(103,674)	—	(103,674)
Gross profit	**32,107**	**—**	**32,107**	29,602	—	29,602
Distribution costs	**(2,794)**	**—**	**(2,794)**	(3,818)	—	(3,818)
Administrative expenses	**(14,116)**	**(1,275)**	**(15,391)**	(13,949)	109	(13,840)
Profit from operations	**15,197**	**(1,275)**	**13,922**	11,835	109	11,944
Finance income	**128**	**—**	**128**	133	—	133
Profit before income tax	**15,325**	**(1,275)**	**14,050**	11,968	109	12,077
Income tax expense	**(3,040)**	**—**	**(3,040)**	(2,279)	—	(2,279)
Profit for the year attributable to equity holders of the parent company	**12,285**	**(1,275)**	**11,010**	9,689	109	9,798
Profit for the year attributable to equity holders of the parent company			**11,010**			9,798
Other comprehensive income/(losses) for the year:						
Items that will not be reclassified to profit and loss:						
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses			**237**			352
Defined benefit pension schemes GMP equalisation charge			**1,290**			—
			1,527			352
Items that may be reclassified subsequently to profit and loss:						
Change in fair value of available-for-sale financial assets			**44**			(72)
Tax effect of items that may be reclassified			**(7)**			15
			37			(57)
Other comprehensive income for the year (net of tax)			**1,564**			295
Total comprehensive income for the year attributable to the equity holders of the parent company			**12,574**			10,093
Earnings per share attributable to the equity holders of the parent company						
Basic and diluted			**25.23p**			22.46p
Basic and diluted before exceptional items	**28.16p**			22.21p		

Consolidated Balance Sheet
as at 31 March 2019

	2019 **£000**	2018 £000
ASSETS		
Non-current assets		
Property, plant and equipment	**71,438**	75,448
Financial assets	**380**	336
Other receivables	**—**	1,135
	71,818	76,919
Current assets		
Inventories	**19,164**	16,284
Trade and other receivables	**41,121**	38,090
Other current interest-bearing deposits	**5,000**	4,900
Cash and cash equivalents	**25,771**	19,174
	91,056	78,448
Assets classified as held for sale	**1,060**	—
	92,116	78,448
Total assets	**163,934**	155,367
LIABILITIES		
Current liabilities		
Trade and other payables	**24,222**	22,242
Current tax liabilities	**1,842**	1,380
	26,064	23,622
Non-current liabilities		
Deferred tax liabilities	**3,481**	3,603
Total liabilities	**29,545**	27,225
Net assets	**134,389**	128,142
Equity attributable to equity holders of the parent company		
Share capital	**4,363**	4,363
Share premium account	**874**	874
Other reserve	**13**	13
Retained earnings	**129,139**	122,892
Total equity	**134,389**	128,142

Consolidated Cash Flow Statement
for the year ended 31 March 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit before income tax	**14,050**	12,077
Adjustments for:		
Depreciation	**8,296**	8,525
(Profit)/loss on disposal of property, plant and equipment	**(160)**	9
Finance income	**(128)**	(133)
Pension administrative costs	**237**	352
Pension GMP equalisation charge	**1,290**	—
Increase in inventories	**(2,880)**	(2,221)
Increase in receivables	**(4,449)**	(3,568)
Increase in payables	**1,980**	2,376
Cash generated from operating activities	**18,236**	17,417
Tax paid	**(2,707)**	(3,190)
Interest received	**108**	111
Net cash generated from operating activities	**15,637**	14,338
Cash flows from investing activities		
Dividends received from listed investments	**20**	22
Purchase of property, plant and equipment	**(4,858)**	(11,223)
Proceeds from disposal of property, plant and equipment	**160**	3
Transfer (to)/from other current interest-bearing deposits	**(100)**	100
Repayments from pension schemes	**4,455**	3,122
Advances to the pension schemes	**(2,390)**	(3,321)
Net cash used in investing activities	**(2,713)**	(11,297)
Cash flow from financing activities		
Dividends paid to shareholders	**(6,327)**	(6,095)
Net cash used in financing activities	**(6,327)**	(6,095)
Net increase/(decrease) in cash and cash equivalents	**6,597**	(3,054)
Cash and cash equivalents at beginning of year	**19,174**	22,228
Cash and cash equivalents at end of year	**25,771**	19,174
Cash and cash equivalents:		
Short-term deposits	**19,828**	16,846
Cash available on demand	**5,943**	2,328
	25,771	19,174

Consolidated Statement of Changes in Equity
for the year ended 31 March 2019

	Share capital[a)] £000	Share premium[b)] £000	Other reserve[c)] £000	Retained earnings[d)] £000	Total equity £000
	Equity attributable to equity holders of the parent				
At 1 April 2018	**4,363**	**874**	**13**	**122,892**	**128,142**
Profit for the year	—	—	—	**11,010**	**11,010**
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	**237**	**237**
Defined benefit pension schemes GMP equalisation charge	—	—	—	**1,290**	**1,290**
Change in fair value of available for sale assets	—	—	—	**44**	**44**
Tax effect of items taken directly to reserves	—	—	—	**(7)**	**(7)**
Total comprehensive income for the year ended 31 March 2019	—	—	—	**12,574**	**12,574**
Dividends (see note 5)	—	—	—	**(6,327)**	**(6,327)**
At 31 March 2019	**4,363**	**874**	**13**	**129,139**	**134,389**

	Share capital[a)] £000	Share premium[b)] £000	Other reserve[c)] £000	Retained earnings[d)] £000	Total equity £000
	Equity attributable to equity holders of the parent				
At 1 April 2017	4,363	874	13	118,894	124,144
Profit for the year	—	—	—	9,798	9,798
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	352	352
Change in fair value of available for sale assets	—	—	—	(72)	(72)
Tax effect of items taken directly to reserves	—	—	—	15	15
Total comprehensive income for the year ended 31 March 2018	—	—	—	10,093	10,093
Dividends (see note 5)	—	—	—	(6,095)	(6,095)
At 31 March 2018	4,363	874	13	122,892	128,142

a) Share capital (note 17) — 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 Financial Statements

1 Basis of preparation

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

The IFRSs applied in the group financial statements are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2019 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 financial statements 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. The accounting policies used are consistent with those disclosed in the 31 March 2018 financial statements. The presentation currency used is sterling and the amounts have been presented in round thousands ("£000").

2 Operating segments

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

Inter-segment transactions are entered into under the normal commercial terms and conditions that would be available to third parties.

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2019:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	**143,060**	**7,176**	—	**150,236**
Inter-segmental revenue	**21,499**	**20,605**	—	**42,104**
Segmental result	**16,832**	**(1,342)**	**(56)**	**15,434**
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				**15**
Defined benefit pension cost				**(237)**
Defined benefit pension GMP equalisation charge				**(1,290)**
Finance income				**128**
Profit before income tax				**14,050**
Total assets	**145,747**	**33,393**	**(15,206)**	**163,934**
Non-current asset additions	**3,496**	**1,850**	—	**5,346**
Depreciation	**4,183**	**4,113**	—	**8,296**
Total liabilities	**(29,632)**	**(9,879)**	**9,966**	**(29,545)**

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

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2018:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	127,007	6,269	—	133,276
Inter-segmental revenue	19,024	18,571	—	37,595
Segmental result	16,051	(3,950)	86	12,187
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				109
Defined benefit pension cost				(352)
Finance income				133
Profit before income tax				12,077
Total assets	135,669	36,258	(16,560)	155,367
Non-current asset additions	4,134	7,089	—	11,223
Depreciation	3,921	4,604	—	8,525
Total liabilities	(27,008)	(11,581)	11,364	(27,225)

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

	2019 £000	2018 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	**35,763**	36,542
Sweden	**42,758**	36,787
Netherlands	**21,830**	22,070
Rest of Europe	**42,290**	33,452
North and South America	**6,849**	3,735
Other	**746**	690
	150,236	133,276

All revenue arises in the United Kingdom from the group's continuing activities.

3 Exceptional items

	2019 £000	2018 £000
Recovery of past provision for losses on deposits with Icelandic banks	**(15)**	(109)
Defined benefit pension scheme GMP equalisation charge	**1,290**	—
	1,275	(109)

The company reported in the year ended 31 March 2009 that £1.86 million was included in other receivables as the net recoverable after provision from various Icelandic banks. So far £3.8 million has been received of the original balance of £5.7 million with the excess over the £1.86 million being shown as an exceptional credit.

On 26 October 2018, the High Court judgment involving Lloyds Banking Group defined benefit pension schemes concluded that schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits. Working in conjunction with the schemes' actuary, the best estimate assessment of the impact is a £1.29 million increase to the pension liabilities as at 31 March 2019. The directors have made the judgement that this estimated impact is a past service cost in respect of pensionable service between 1990 and 1997 that should be reflected through the consolidated income statement as an exceptional item and that any subsequent change in the estimate should be recognised in other comprehensive income.

4 Income tax expense

	2019 £000	2018 £000
Corporation tax based on a rate of 19% (2018 – 19%)		
UK corporation tax		
Current tax on profits for the year	**3,250**	2,759
Adjustments to tax charge in respect of prior years	**(81)**	(44)
	3,169	2,715
Deferred tax		
Current year origination and reversal of temporary differences	**(129)**	(95)
Adjustment to deferred tax charge in respect of prior years	**—**	(341)
	(129)	(436)
Taxation on profit	**3,040**	2,279
Profit before income tax	**14,050**	12,077
Tax on profit at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	**2,670**	2,295
Effect of:		
Expenses not deductible for tax purposes	**161**	302
Adjustment to tax charge in respect of prior years	**(81)**	(44)
Adjustment to deferred tax charge in respect of prior years	**—**	(341)
Pension adjustments	**290**	67
Total tax charge for the year	**3,040**	2,279
Effective rate of tax (%)	**21.6**	18.9

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 on 6 September 2017. These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

5 Dividends

	2019 £000	2018 £000
Final paid of 11.12p per share for the year ended 31 March 2018 (2017 – 10.59p)	**4,852**	4,620
Interim paid of 3.38p per share (2018 – 3.38p)	**1,475**	1,475
	6,327	6,095

The directors are proposing a final dividend of 11.40 pence (2018 – 11.12 pence) per share totalling £4,974,056 (2018 – £4,851,886). In addition, the directors have declared a supplementary dividend of 15.00 pence per share, totalling £6,544,810. These dividends have not been accrued at the balance sheet date.

6 Earnings per share

Earnings per share of 25.23 pence per share (2018 – 22.46 pence per share) is calculated on the profit on ordinary activities after taxation of £11,010,000 (2018 – £9,798,000). Earnings per share excluding exceptional items of 28.16 pence per share (2018 - 22.21 pence per share) is calculated on the profit on ordinary activities before exceptional items after taxation of £12,285,000 (2018 – £9,689,000).

The weighted average number of shares in issue at the end of the year of 43,632,068 (2018 – 43,632,068). There are no potentially dilutive shares, hence the diluted earnings per share are the same as above.

7 Property, plant and equipment

	Freehold and leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2018	41,081	135,549	176,630
Additions during the year	369	4,977	5,346
Disposals	—	(559)	(559)
Assets classified as held for sale	(1,624)	—	(1,624)
At 31 March 2019	**39,826**	**139,967**	**179,793**
Accumulated depreciation			
At 1 April 2018	9,178	92,004	101,182
Charge for year	1,166	7,130	8,296
Disposals	—	(559)	(559)
Assets classified as held for sale	(564)	—	(564)
At 31 March 2019	**9,780**	**98,575**	**108,355**
Net book values			
At 31 March 2019	**30,046**	**41,392**	**71,438**
At 31 March 2018	31,903	43,545	75,448

Cost			
At 1 April 2017	40,235	125,863	166,098
Additions during the year	846	10,377	11,223
Disposals	—	(691)	(691)
At 31 March 2018	41,081	135,549	176,630
Accumulated depreciation			
At 1 April 2017	8,014	85,322	93,336
Charge for year	1,164	7,361	8,525
Disposals	—	(679)	(679)
At 31 March 2018	9,178	92,004	101,182
Net book values			
At 31 March 2018	31,903	43,545	75,448
At 31 March 2017	32,221	40,541	72,762

The cost of land and buildings includes £nil for property held on long leases (2018 – £359,000). The net book value of land and buildings includes £2,169,000 (2018 – £2,527,000) for land which is not depreciated.

Included within plant and equipment are assets in the course of construction with a net book value of £240,000 (2018 – £158,000) and assets not fully in production with a net book value of £nil (2018 – £1,618,000) which are not being depreciated.

In June 2018 the directors decided to sell the long leasehold land and property at Fradley which is an asset within the foundry segment in note 2. There are a number of interested parties and the sale is expected to complete before the end of March 2020 and therefore the asset has been shown under assets classified as held for sale.

8 Commitments and contingencies

	2019 £000	2018 £000
Capital commitments contracted for by the group but not provided for in the financial statements	**1,631**	752

The group does not insure against the potential cost of product warranty or recall. Accordingly, there is always the possibility of claims against the group for quality related issues on parts supplied to customers. As at 31 March 2019, the directors do not consider any significant liability will arise in respect of any such claims (2018 – £nil).

9 Pensions

The company operates two defined benefit pension schemes which were closed to future accruals at 6 April 2009. The funded status of these schemes at 31 March 2019 was a surplus of £24,418,000 (2018 - £22,631,000). The pension surplus has not been recognised as the group does not have an unconditional right to receive returns of contributions or refunds under the scheme rules.

10 Preliminary statement

The financial information set out above does not constitute the company’s statutory financial statements for the years ended 31 March 2019 or 2018, but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the Registrar of

Companies and those for 2019 will be delivered following the company's Annual General Meeting. The auditors have reported on those financial statements; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under Section 498 of the Companies Act 2006.

The annual report and financial statements will be posted to shareholders on 21 June 2019 and will be available on the company's website, www.castings.plc.uk, from 28 June 2019.

Appendix A - Principal Risks and Uncertainties

Risk
In common with all trading businesses, 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, damage to stocks, public and product liability and employers' liability.

The directors regularly assess the principal risks facing the entity. Whilst it is difficult to completely 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. Information is also provided as to how the risks are, where possible, being managed or mitigated.

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

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

Customer concentration, programme dependencies and relationships
The loss of, or deterioration in, any major customer relationship could have a material impact on the group's results. We build strong relationships with our customers to develop products to meet their specific needs.

European market exposure
The negotiations on the UK's membership and future relationship with the European Union remain ongoing and so, as a group with over 70% of sales exported to Europe, this represents a potential risk. The risk cannot be addressed until the final position is known but, during this period of uncertainty, we maintain a regular dialogue with our key suppliers and customers to ensure the risk in disruption to supply is mitigated. As part of the short-term mitigation, we are maintaining higher than normal levels of raw material inventories and customers have been encouraged to do the same.

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

Foreign exchange
The group is exposed to foreign exchange risk on both sales and purchases denominated in currencies other than sterling, being primarily euro and US dollar. Foreign exchange rate risk is sometimes partially mitigated by using forward foreign exchange contracts. Such contracts are short term in nature, matched to contractual cash flows and non-speculative.

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 a high standard 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 ferro-silicon, copper, nickel and molybdenum. Wherever possible, prices and quantities (except steel) are secured through long-term agreements with suppliers. In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses.

Energy contracts are locked in for at least 12 months, although renegotiation risks remain at contract maturity dates but again this is mitigated through the application of price adjustment clauses. At 31 March 2019, the group has electricity contracts in place until 30 September 2020.

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 backup systems or other major IT interruption could have a disruptive effect on the group's business.

Short-term deposits

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

Environmental

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

Pension scheme funding

The fair value of the assets and liabilities of the group's defined benefit pension schemes is substantial. As at 31 March 2019 the schemes were in surplus on an IAS 19 (Revised) basis. Further details are set out in note 6 to the financial statements. The potential risks and uncertainties resulting from factors such as investment return, interest rates and mortality rates are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the defined benefit pension liabilities do not increase disproportionately. The company works closely with the scheme trustees and specialist advisers in managing the inherent risks of such schemes.

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