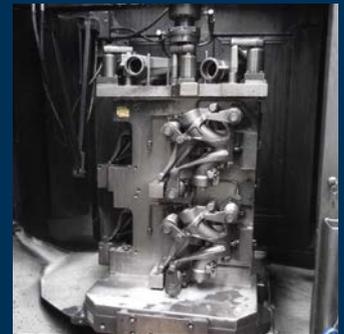


CASTINGS P.L.C.



Castings P.L.C.

Annual Report for the
year ended 31 March 2017

Stock Code: CGS

An Introduction to **Castings P.L.C.**

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

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

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Financial Highlights

Group revenue (£m)

£119m

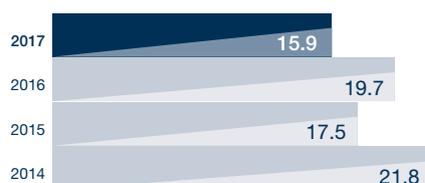
(2016: £132m)



Profit before tax (£m)

£15.9m

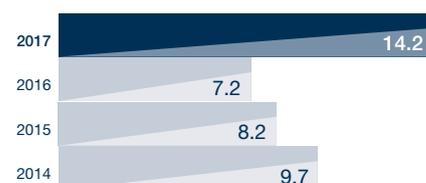
(2016: £19.7m)



Capital expenditure (£m)

£14.2m

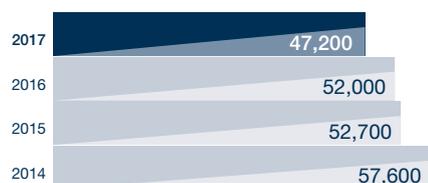
(2016: £7.2m)



Foundry sales volume (tonnes)

47,200

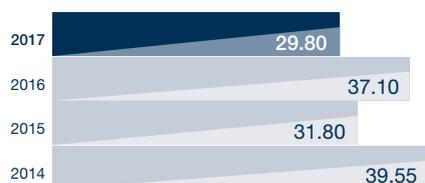
(2016: 52,000)



EPS (basic and diluted)

29.80p

(2016: 37.10p)



Dividend per share (excluding supplementary dividend) (pence)

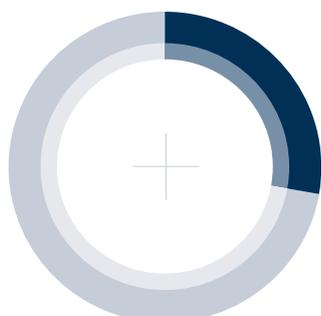
13.97p

(2016: 13.71p)



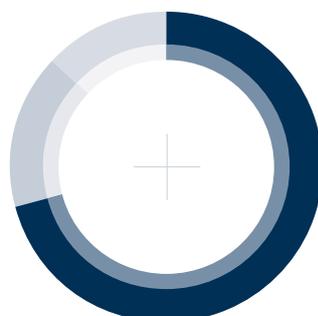
Revenue Profile

Geographical revenue split



- United Kingdom 28%
- Export 72%

Customer sector profile



- Commercial vehicle 71%
- Automotive 16%
- Other 13%

Chairman's Statement

The turnover of the group decreased to £119 million (£132 million last year) with a decrease in profits to £15.9 million compared to £19.7 million last year.

Foundry businesses

Despite a reduction in output during the year the foundries maintained a good profit level. This has been achieved by continued investment in productivity.

In this respect, both at Brownhills and William Lee, investment in robotic handling is taking place which will improve quality standards and reduce costs associated with the processing of raw castings.

The improvements reported last year in relation to William Lee are continuing and the result from this company is expected to improve in the current year.

CNC Speedwell

A significant reduction in sales occurred due to the ending of a major contract at the end of the previous financial year. Replacement work has been secured and it is hoped that turnover and profitability will increase back to previous levels during the next two years. Investment in new machines has taken place during the year to support the new orders; the utilisation of this investment will increase as the replacement work goes into full production.

Dividend

I am pleased to report that the directors recommend an increase in the final dividend to 10.59 pence per share to be paid on 18 August 2017. This, together with the interim dividend, gives a total for the year of 13.97 pence per share.

Outlook

It appears that the customer demands at the present time remain steady.

The situation concerning Brexit is creating a certain amount of concern in the manufacturing sector and the sooner the Government negotiates a deal to remove this uncertainty the better it will be for planning the future.

The company is putting every effort into developing new work with both existing and new customers. Our focus is on core business that can be produced and machined within the group. At the same time we are continuing to invest in technology to improve productivity and profitability.

Directors

David Gawthorpe retired as Chief Executive on the 31 March 2017 after 33 years' service with the company. I would like to thank him for his contribution to the company and wish him and Linda a happy retirement.

Adam Vicary took over as Chief Executive on 1 April; he has been with the company since 2010 and was Managing Director of the Brownhills foundry. He was appointed to the Board in April 2012. He has wide experience of the industry and I am confident he will continue to develop Castings P.L.C.

In conclusion, the strong cash generation of the group has enabled us to invest in the business at the same time as returning £13 million to shareholders during the year as a special dividend. My thanks to all our employees for their continued support and contribution during the year.

B. J. Cooke

Chairman

14 June 2017

Objectives and Strategy

Group objective

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

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

Group strategy

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

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

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

on core business that can be produced and machined within the group.

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

We measure progress against our strategic priorities by reference to our financial performance as shown on page 29.

Business Model

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

Group structure

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

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

Management structure

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

The group executive team includes a managing director from each of the three trading operations who are responsible for assisting the chief executive in implementing our strategy and the day-to-day management of the group.

Each managing director is supported by a local senior management team who are all directly involved in the detailed operations at their respective sites.

Group business model

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

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

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

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

Business and Financial Review

Overview of business segment performance

The segmental revenue and results for the current and previous years are set out in note 2 on pages 36 and 37. 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 a reduction in output of 9.2% to 47,200 tonnes and a decrease in external sales revenue of 2.5% to £111.8 million.

This year has seen a continuation of the sales mix change of last year with an increase in more complex, machined parts.

The segmental profit has reduced slightly to £14.5 million, from £14.7 million in the previous year, which represents a return of 11.3% on total segmental sales (2016 – 10.9%).

The improvement at William Lee has continued during the year with an even greater focus on aligning production methods across the foundry operations.

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 through careful investment and further developing production methods. One particular focus has been the role of automation, an area where we have made investment during the year and will continue to do so during 2017/18. The extension to one of the premises at the Brownhills site to provide additional warehousing and machining capacity for the group was completed in December 2016.

Machining

The machining business generated total sales of £23.3 million in the year compared to £33.2 million in the previous year. Of the total revenue, 29.9% was generated from external customers compared to 53.3% in 2016.

The segmental profit has decreased to £1.5 million (2016 – £4.7 million) and the profit on total sales reduced to 6.5% (2016 – 14.2%).

The end of a contract, where there was no direct replacement work, towards the end of 2015/16 has had a significant impact on the revenue and result for the year. New orders have been secured to fill a large proportion of the resulting available capacity. However, these parts go into full production over the next two years; in the meantime, there are additional development costs being incurred.

We have invested £5.1 million during the year to accommodate new orders, many of which have not come into full production. This investment also includes expenditure on converting previous warehousing into a machining facility in Brownhills.

Business review and performance

Revenue

Group revenues decreased by 10.3% to £118.8 million compared to £132.4 million reported in 2016, of which 72% was exported (2016 – 67%).

The revenue from the foundry operations to external customers decreased 2.5% to £111.8 million (2016 – £114.7 million) with the dispatch weight of castings to third-party customers decreasing 9.2% to 47,200 tonnes (2016 – 52,000 tonnes).

Revenue from the machining operation to external customers decreased by 60.6% during the year to £7.0 million (2016 – £17.7 million).

Operating profit and segmental result

The group operating profit for the year was £15.7 million compared to £19.5 million reported in 2016, which represents a return on sales of 13.2% (2016 – 14.7%).

The foundry operations returned a segmental profit of £14.5 million compared to £14.7 million in 2016. This represents an increase in segmental profit as a percentage of total segment sales to 11.3% from 10.9% in 2016.

The segmental profit of the machining operation was £1.5 million in the year compared to £4.7 million in 2016, being 6.5% (2016 – 14.2%) of total segment sales.

Icelandic bank receipts

During the year we have received £0.13 million (2016 – £0.32 million) in respect of the failed Icelandic banks. Of the original balance of £5.7 million, the total received to date is £3.73 million which is £1.87 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.

Finance income

The increase in the level of finance income from £0.19 million in 2016 to £0.24 million in the current year reflects the slightly higher average interest rates of 0.67% compared to 0.5% in 2016.

Business and Financial Review

continued

Profit before income tax

Profit before taxation has decreased to £15.9 million from £19.7 million.

Taxation

The current year tax charge of £2.91 million (2016 – £3.49 million) is made up of a current tax charge of £3.25 million (2016 – £3.89 million) and a deferred tax credit of £0.33 million (2016 – £0.40 million).

The effective rate of tax of 18.3% (2016 – 17.7%) is lower than the main rate of corporation tax, reflecting the falling future UK corporation tax rate and therefore the measurement of deferred tax liabilities at the lower substantively enacted future rates of 19% and 17%.

Earnings per share

Basic earnings per share decreased 19.7% to 29.80 pence (2016 – 37.10 pence), reflecting a 19.1% decrease in profits and a higher effective tax rate compared to the previous year. 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 10.59 pence per share (2016 – 10.33 pence per share) to be paid on 18 August 2017. This would give a total normal distribution for the year of 13.97 pence per share (2016 – 13.71 pence per share).

Cash flow

The group generated cash from operating activities of £21.5 million compared to £27.8 million in 2016. In addition to the lower operating profit, the increase in payables of £3.1 million was offset by increases in inventory and receivables of £2.1 million and £2.7 million respectively.

Corporation tax payments during the year totalled £3.4 million compared to £3.2 million in 2016, reflecting the timing of quarterly payments.

Capital expenditure during the year amounted to £14.2 million (2016 – £7.2 million) with investment in production processes and warehousing in the foundry businesses and production facilities and machining centres within the machining operation. Included within this figure is £1.1 million relating to deposit payments on equipment not received at the year end, therefore, not included within property, plant and equipment additions in the year. The charge for depreciation was £7.3 million compared to £6.9 million in 2016.

The current interest-bearing deposit of £10 million taken out in the previous year matured in November 2016. Of this, £5 million was rolled over to mature during the next financial year and the remaining £5 million was placed on short-term deposits, therefore, a net inflow of cash and cash equivalents of £5 million.

Repayments of £3.8 million (2016 - £1.1 million) were received from the final salary pension schemes during the year and advances were made to the schemes of £2.0 million (2016 - £2.6 million).

Dividends paid to shareholders were £19.1 million in the year compared to £5.9 million in 2016, the increase mainly being due to the supplementary dividend of £13.1 million paid during the year. The resulting net cash and cash equivalents represented a decrease of £8.2 million (2016 - increase of £10.4 million).

At 31 March 2017, the total cash and deposits position at the balance sheet date is £27.2 million (2016 – £40.4 million).

Pensions

The pension valuation showed an increase in the surplus, on an IAS 19 (Revised) basis, to £16.8 million compared to £14.7 million in the previous year. The surplus continues not to be shown on the balance sheet due to the IAS 19 (Revised) restriction of recognition of assets where the company does not have an unconditional right to receive returns of contributions or refunds.

Balance sheet

Net assets at 31 March 2017 were £124.1 million (2016 – £129.9 million). Other than the total comprehensive income for the year of £13.3 million, the only movement relates to the dividend charge of £19.1 million.

Non-current assets have increased to £75.4 million (2016 – £70.7 million) primarily as a result of the investment in property, plant and equipment during the year along with the change in the debtor due from the pension scheme of £2.3 million (2016 - £3.4 million), details of which are set out in note 6.

Current assets have decreased to £74.5 million (2016 – £82.4 million) mainly as a result of a reduction in net cash generated during the year and working capital movements. Total liabilities have increased to £25.8 million (2016 – £23.2 million), largely as a result of an increase in trade payables.

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 have carried out a robust assessment of the principal risks facing the entity. Whilst it is difficult either to 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. 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.

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 that are 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 the highest possible standards and inventories of strategic equipment spares maintained. The facilities at Brownhills and Dronfield have similar equipment and work can be transferred from one location to another very quickly. The machining business also

operates from two separate locations, enabling the transfer of some production if required.

Suppliers and trade credit

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

Commodity and energy pricing

The principal metal raw materials used by the group's businesses are steel scrap and various alloys. The most important alloy raw material inputs are premium graphite, magnesium ferro-silicon, copper, nickel and molybdenum. Wherever possible, prices and quantities (except steel) are secured through long-term agreements with suppliers. In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses.

Energy contracts are locked in for at least twelve months, although renegotiation risks remain at contract maturity dates but again this is mitigated through the application of price adjustment clauses. At 31 March 2017, the group has electricity contracts in place until 30 September 2018. Consumption levels at the balance sheet date are well within the agreed tolerance levels and this situation is not expected to change.

Principal Risks and Uncertainties

continued

Information technology and systems reliability

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

Short-term deposits

A review of credit ratings is undertaken prior to making new deposits and the maximum exposure to any one counterparty is restricted. However, institutions can be downgraded before maturity, 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. Further information is set out on page 9.

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 2017 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.

Viability Statement

In preparing this statement of viability, the directors have considered the prospects of the group over the three year period immediately following the financial year ended 31 March 2017. This longer-term assessment process supports the board's statements on both viability, as set out below, and going concern (on page 16).

A three year period was determined as the most appropriate for the purpose of concluding on longer-term viability, given the limited forward visibility of the group.

In conducting the review of the group's prospects, the directors assessed three year profit and cash flow estimates, alongside the group's current position, the group's strategy and the principal risks facing the group (all of which are detailed in the Strategic Report on pages 2 to 10). This assessment considered the impact of the principal risks on the business model and on future performance, liquidity and solvency and was mindful of the limited forward visibility that the group has in respect of its major market of commercial vehicles.

The directors' viability assessment included a review of the sensitivity analysis performed on the three year estimate whereby the principal risks, particularly those related to markets and customers, were applied to the plan.

In making this viability statement, the directors considered the mitigating actions that would be taken by the group in the event that the principal risks of the company become realised. The directors also took into consideration the group's strong financial position at 31 March 2017, with cash and deposits of £27 million, no debt and a history of strong cash generation.

The directors have assessed the viability of the group and, based on the procedures outlined above in addition to activities undertaken by the board in its normal course of business, confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2020.

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

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

Greenhouse gas emissions

Our gross greenhouse gas (GHG) emissions for the year ended 31 March 2017 were 64,531 tonnes of CO₂ (2016 – 68,847 tonnes of CO₂). Our material emissions arise entirely from indirect emissions that come from our use of electricity, gas and water (Scope 2).

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

For the foundry businesses, the most appropriate metric to measure the level of GHG emissions is per production tonne which has remained consistent at 1.11 (2016 – 1.10) tonnes/production tonne. The metric used for the machining operation is emissions per thousand pounds of machining revenue; emissions having increased to 0.25 (2016 – 0.19) tonnes/£000 due to the development phase of new parts. This metric is expected to improve as more parts come into full production.

Corporate Social Responsibility

continued

Employees

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

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

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

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

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

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

The gender of our staff at 31 March 2017 was as follows:

	Male	Female
Non-executive directors	3	—
Executive directors	3	—
Senior managers	20	3
Other employees	917	99
	943	102

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.

Human rights

Given the nature of the group's business model, we have concluded that human rights is not a material issue to the business due to existing regulatory controls in our core areas of activity. The board received regular updates on corporate responsibility issues including the UK Modern Slavery Act.

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

A. Vicary

Chief Executive Officer

14 June 2017

Board of Directors

Executive directors

Adam Vicary

Chief Executive Officer

Aged 49, he joined the company in September 2010 as joint managing director and was appointed to the main board in April 2012. He became chief executive on 31 March 2017.

Steve Mant

Finance Director

Aged 41, 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

Aged 53, 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.

David Gawthorpe

Chief Executive Officer (retired 31 March 2017)

Aged 54, he joined the company in 1984, was appointed to the main board in 2003 and became chief executive in 2007. He retired as a director on 31 March 2017.

Non-executive directors

Brian Cooke

Chairman

Aged 77, 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 executive chairman since 1983, becoming non-executive chairman on 31 March 2015.

Gerard Wainwright

Senior Independent Non-executive Director

Aged 67, he was appointed a director in 1998 and is the senior independent director. He has been chief executive of a wide range of manufacturing companies for over 25 years together with international experience. He is chairman of the remuneration and nomination committees and a member of the audit and risk committee.

Alec Jones

Non-executive Director

Aged 65, 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 chairman of the audit and risk committee and is also a member of the remuneration and nomination committees.

Directors' Report

The directors submit the Annual Report and audited consolidated financial statements of Castings P.L.C. for the year ended 31 March 2017.

Strategic Report

The Strategic Report, which contains a review of the group's business, a description of the principal risks and uncertainties facing the group and commentary on the likely future developments, is set out on pages 2 to 10.

Financial results and dividend

The profit for the year after taxation was £13,004,000 (2016 – £16,187,000), full details of which are set out in the consolidated statement of comprehensive income on page 29.

An interim dividend of 3.38 pence per share was paid in January 2017 in respect of the year ended 31 March 2017.

The directors recommend a final dividend of 10.59 pence per share payable on 18 August 2017 to shareholders on the register on 14 July 2017, making a total distribution of 13.97 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2016 – 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 11 and their interests in the ordinary share capital at the beginning and end of the year were:

Beneficial holdings

	2017 Total	2016 Total
B. J. Cooke	1,959,636	1,959,636
G. B. Wainwright	101,261	101,261
A. Vicary	22,000	22,000
M. A. Lewis	3,025	3,025
S. J. Mant	1,000	1,000
A. N. Jones	—	—
D. J. Gawthorpe (retired on 31 March 2017)	29,379	29,379

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

The following directors retire under the provisions of the Articles of Association and provision B.7.1 of the UK Corporate Governance Code for non-executive directors having served as directors for more than nine years and, being eligible, offer themselves for re-election:

- B. J. Cooke – annual re-election under provision B.7.1
- S. J. Mant – by rotation under the provisions of the Articles of Association
- G. B. Wainwright – annual re-election under provision B.7.1

The unexpired period of the contracts of service for A. Vicary, S. J. Mant and M. A. Lewis is one year. B. J. Cooke, A. N. Jones and G. B. Wainwright 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.

Directors retire from office at the third Annual General Meeting after the general meeting at which they were appointed or last reappointed and are eligible for reappointment. In addition, non-executive directors with service greater than nine years are subject to annual re-election.

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

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

As at 14 June 2017, the company had been notified, in accordance with DTR Rule 5, of the following disclosable interests, including directors, of 3% or more in its voting rights:

	Number	%
Ruffer LLP	7,888,394	18.1
Aberforth Partners' Clients	3,921,988	8.9
Henderson Group plc	2,900,238	6.6
N.N Group NV (formerly Delta Lloyd Asset Management NV)	2,314,000	5.3
Threadneedle Asset Management Limited	2,191,674	5.0
B. J. Cooke	1,959,636	4.5
Hamstall Investments Inc.	1,949,900	4.5
Rathbone Investment Management Ltd	1,600,000	3.7

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 16 August 2016 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 14 August 2022 but will be put to annual shareholder approval. The proposed resolutions are set out as items 9 and 10 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2016, the board was given authority to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of the company's existing shares, through market purchases on The London Stock Exchange. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price which may be paid for each share is 10 pence.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The directors are now seeking the approval of shareholders for the renewal of this authority upon the same terms, namely to allow the company to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of its issued share capital at 31 March 2017. The authority is sought by way of a special resolution, details of which are also included in the Notice of Meeting as item 11.

This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in future earnings per share, and if it is in the best interests of shareholders generally.

Employee involvement

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

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

Further details of employee involvement are given under the Corporate Social Responsibility section on pages 9 and 10.

Health and safety

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

Financial instruments

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

Research & development

Activities and likely future developments for the business are described in the Strategic Report on pages 2 to 10.

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.

Directors' Report

continued

Independent auditors

During the year BDO LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill a casual vacancy. A resolution proposing their appointment as auditors of the company and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

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

Significant agreements

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

Corporate governance

Details of the group's corporate governance policies are dealt with on pages 15 and 16.

Greenhouse gas emissions

Details of the group's greenhouse gas emissions are dealt with on page 9.

Cautionary statement

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

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

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

Approval of Directors' Report and Responsibility Statement

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

- a. each of the group and parent financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU and UK Accounting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- b. the Chairman's Statement, Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's and group's performance, business model and strategy.

By order of the board

B. J. Cooke

Chairman

14 June 2017

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 2014 UK Corporate Governance Code and will continue to adhere to them where it is in the interests of the business, and of the shareholders, to do so.

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

Board of directors

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

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

Directors are expected to attend external courses and seminars to maintain and develop their board competencies.

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

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

Board committees

The principal committees established by the directors are:

Audit and risk committee

Further details are contained within the Audit and Risk Committee Report on page 17.

Remuneration committee

Further details are set out in the Directors' Remuneration Report on page 18.

Nomination committee

This committee comprises the three non-executive directors and is chaired by G. B. Wainwright. The committee met once during the year. The terms of reference are available on the company's website www.castings.plc.uk.

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. The board has an agreed 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. There have been no conflicts identified during the period.

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

Director	Board		Audit and risk committee		Remuneration committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
B. J. Cooke	6	6	4	4	1	1
D. J. Gawthorpe (retired on 31 March 2017)	6	6	—	—	—	—
S. J. Mant	6	6	—	—	—	—
M. A. Lewis	6	5	—	—	—	—
A. Vicary	6	6	—	—	—	—
G. B. Wainwright	6	6	4	3	1	1
A. N. Jones	6	6	4	4	1	1

Effectiveness

The executive directors are appraised annually by the chairman and the non-executive directors. The chairman is appraised annually by the non-executive directors. The chairman considers the effectiveness of each non-executive director annually.

The results of these appraisals are considered by the remuneration committee for the determination of their remuneration recommendations.

Relations with shareholders

The company holds meetings from time to time with institutional shareholders to discuss the company's strategy and

financial performance. The board regularly receives copies of analysts' and brokers' briefings. The chairman is available to meet major shareholders on request to discuss governance and strategy. The independent director and other non-executive directors are also available to meet shareholders if requested. The Annual General Meeting is used to communicate with private and institutional investors.

Corporate Governance

continued

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 financial statements. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The review covers all controls including financial, operational, compliance and risk management.

The directors confirm that they have established procedures necessary to implement the internal control guidance for directors such that they fully comply with the 2014 UK Corporate Governance Code for the accounting period ended on 31 March 2017.

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 management accounts. The accounts include income statements 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 financial statements, also consider the systems of internal financial control to the extent necessary to express that opinion. The external auditors report the results of their work to management, including members of the board and the audit committee.

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

Going concern

The directors have assessed the future funding requirements of the group and the company and compared them to the level of funding available. Details of the cash position are set out in note 19 to the financial statements. 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 financial statements.

The directors' assessment of going concern, and the viability statement on page 8, included a review of the group's financial forecasts and financial instruments for a three year period. The directors considered a range of potential scenarios within the key markets the group serves and how these may impact on cash flow. The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The directors also considered what mitigating actions the group could take to limit any adverse consequences.

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

Summary

The board takes its responsibilities seriously even though there are a number of areas in which it does not comply fully with the 2014 UK Corporate Governance Code. It does not feel that the size or complexity of the group and the way in which it governs would be enhanced or strengthened by further changing the already existing high standards of corporate governance practised.

For the year ended 31 March 2017 the company complied with the 2014 UK Corporate Governance Code other than the following points:

- There were three non-executive directors during the year. Although two of these directors have served for more than ten years the board recognises the value they bring and believes it is important too that shareholders have the reassurance of non-executives on the board whose independence is beyond question.
- The non-executive directors do not have specified term contracts.
- The finance director also performs the role of company secretary as there is no one else within the business qualified to fulfil the position. The role of Company Secretary is not full time.

These are considered acceptable given the size of the company and the way in which it operates.

By order of the board

S. J. Mant

Company Secretary

14 June 2017

Audit and Risk Committee Report

Responsibilities

The main responsibilities of the audit and risk committee are:

- to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to provide advice on whether the company's Annual Report is fair, balanced and understandable;
- to review the company's internal financial controls and internal control and risk management systems;
- to review the need for an internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services; and
- to report to the board on how it has discharged its responsibilities.

Committee composition and meetings

The audit and risk committee comprises the three non-executive directors and is chaired by A. N. Jones. The finance director and other executive directors may also attend meetings as appropriate to the business in hand but are not members of the committee.

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

The committee meets at least three times a year. Meetings are also attended by the executive directors and on at least one occasion by representatives of the group's external auditors. At meetings attended by the external auditors time is allowed for the

committee to discuss issues with the external auditors without the executive directors being present.

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

Financial reporting and accounting judgements

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

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

- valuation of inventory, which involved understanding the approach to updating the standard costs used within the foundry businesses and ensuring a materially correct cost valuation at the year end;
- revenue recognition processes have been reviewed to ensure revenue has been recognised appropriately and consistency of policy applied across the group; and
- reviewed the viability statement and agreed an appropriate assessment period and the reasonableness of the profit and loss and cash flow estimates, together with an evaluation of the main risks affecting the viability of the company over that time-frame.

Internal control

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

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

External auditors

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

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

Feedback on the audit process is requested from management and for the 2017 financial year, management was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The committee concurred with the view of management.

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

BDO LLP resigned as auditors during the year and, following a competitive tender process, PricewaterhouseCoopers LLP ("PwC") were appointed to fill the casual vacancy. The committee has recommended to the board that a resolution be put to shareholders for the appointment of the auditor at the Annual General Meeting.

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

A. N. Jones

Chairman of the Audit and Risk Committee

14 June 2017

Directors' Remuneration Report

Annual Statement

On behalf of the board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017 which sets out the remuneration policy for the directors and the amounts earned during the current year.

The remuneration policy was last submitted to shareholders in August 2014 and will expire in August 2017.

The aim of the group's remuneration policy is to produce an outcome which supports the business objectives of the group whilst remaining straightforward and transparent, determining an appropriate balance between fixed and performance-related remuneration. Performance targets are stretching and designed to promote the long-term success of the company.

The policy is designed to ensure the remuneration of executive directors and senior management is sufficiently competitive to retain and motivate the existing directors.

During the year the remuneration committee considered all aspects of its policy on executive director remuneration, including benchmarking against industry market rates and considering the appropriateness of long-term incentive plans ("LTIPs"). The conclusion of this review is that the current policy is in line with the strategy of the group and, accordingly, no substantial changes have been made. We will therefore be putting forward a remuneration policy for shareholders to approve at the AGM in August 2017 that is consistent with the previous policy.

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

By order of the board

G. B. Wainwright

Chairman of the Remuneration Committee

14 June 2017

Remuneration committee

This committee comprises the three non-executive directors and is chaired by G. B. Wainwright.

The remuneration committee is responsible within the authority delegated by the board for determining the remuneration policy and for determining the specific remuneration packages for each of the executive directors and the chairman. The committee also monitors the structure of remuneration of senior management.

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.

The remuneration committee's terms of reference are available on the company's website www.castings.plc.uk.

Statement of shareholding voting

The voting to approve last year's annual report on the directors' remuneration at the AGM held on 16 August 2016, and the directors' remuneration policy approved at the AGM on 19 August 2014, is set out in the following table:

	Votes for (including discretionary) Number %	Votes against Number %	Total number of votes cast	Number of votes withheld
Annual report on remuneration (2016 AGM)	27,906,148 99.98%	6,170 0.02%	27,912,318	3,500
Directors' remuneration policy report (2014 AGM)	28,482,681 99.21%	226,879 0.79%	28,709,560	2,423,211

Remuneration Policy

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

Detailed policy

The table below summarises the main components of the remuneration policy for executive directors for the three year period commencing 15 August 2017 and highlights any changes to the policy when compared to that in operation for the current financial year.

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

Directors' Remuneration Report

continued

Scenario charts

The following set out the potential remuneration payments for the year ended 31 March 2018 under two scenarios (as there is no set maximum bonus, such a scenario cannot be shown):

- Minimum – assuming no bonus payment due to group profits being below the thresholds.
- Profit for year ended 31 March 2017 – based on profit before tax and exceptional items of £15.8 million, being the result for the year ended 31 March 2017.

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

Recruitment policy

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

Non-executive director remuneration

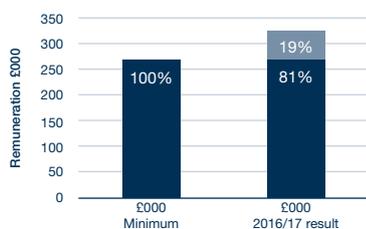
The fees paid to non-executive directors are set out in the annual report on directors' remuneration and are set by reference to current levels in the marketplace. Non-executive directors do not receive other benefits or participate in the company's bonus schemes, nor are they eligible to join a company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

Directors' contracts

Executive directors have contracts of service terminable on one year's notice. These contracts are considered appropriate in the context of the overall remuneration policy as, in the opinion of the board, it encourages directors to take a long-term rather than a short-term view of their conduct and planning of the company's affairs. None of the contracts contain any provision for predetermined compensation in the event of termination. The date of contracts currently in place for the executive directors is 1 April 2015. 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.

None of the existing executive directors hold non-executive directorships with companies outside the group.

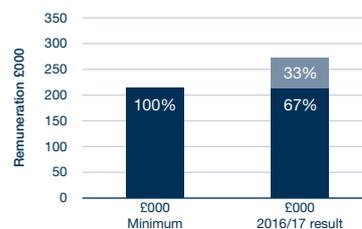
Chief Executive Officer



Finance Director



Managing Director



Annual Report on Directors' Remuneration

Directors' remuneration during the year (audited)

The directors' remuneration for the year ended 31 March 2017 is set out in the table below.

	Salary/fees		Benefits		Performance-related bonus		Pension contributions		Total remuneration	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
B. J. Cooke	80	80	7	6	—	—	—	—	87	86
D. J. Gawthorpe*	255	250	13	12	61	100	11	10	340	372
S. J. Mant	179	175	12	11	61	100	11	10	263	296
M. A. Lewis	192	188	12	11	61	100	11	10	276	309
A. Vicary	192	188	12	12	61	100	11	10	276	310
G. B. Wainwright	37	36	—	—	—	—	—	—	37	36
C. P. King*	—	13	—	—	—	—	—	—	—	13
A. N. Jones	35	34	—	—	—	—	—	—	35	34
	970	964	56	52	244	400	44	40	1,314	1,456

* D. J. Gawthorpe retired on 31 March 2017 and C. P. King retired on 18 August 2015.

Directors' pension entitlements (audited)

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

Name of director	Age at year end	Directors' contributions in the year £	Increase in accrued pension during the year £	Increase in accrued pension during year net of inflation £	Transfer value of increase net of inflation and directors' contributions £	Accumulated total accrued pension at 31/03/2017 £	Accumulated total accrued pension at 31/03/2016 £	Transfer value of accrued benefits 31/03/2017 £	Transfer value of accrued benefits 31/03/2016 £	Difference in transfer values less contributions £
D. J. Gawthorpe	55	—	516	—	—	52,139	51,623	1,003,112	821,314	181,798
M. A. Lewis	53	—	240	—	—	24,239	23,999	464,861	367,361	97,500
		—	756	—	—	76,378	75,622	1,467,973	1,188,675	279,298

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

Relative importance of spend on pay

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

	2017 £000	2016 £000	Change £000	Change %
Remuneration of all employees	36,357	38,682	(2,325)	-6.0%
Dividends to shareholders	6,095	5,982	113	1.9%

Chief Executive Officer remuneration

The total remuneration paid to the chief executive officer for the last five years is as follows:

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Performance-related bonus	61	100	82	123	91
Total remuneration	340	372	347	380	331

The total remuneration (including performance bonus) paid to the chief executive officer in the current year represents a decrease of 8.6% compared to the prior year. The corresponding decrease in average pay to all employees in the same period is, on average, 3.4%.

Directors' Remuneration Report

continued

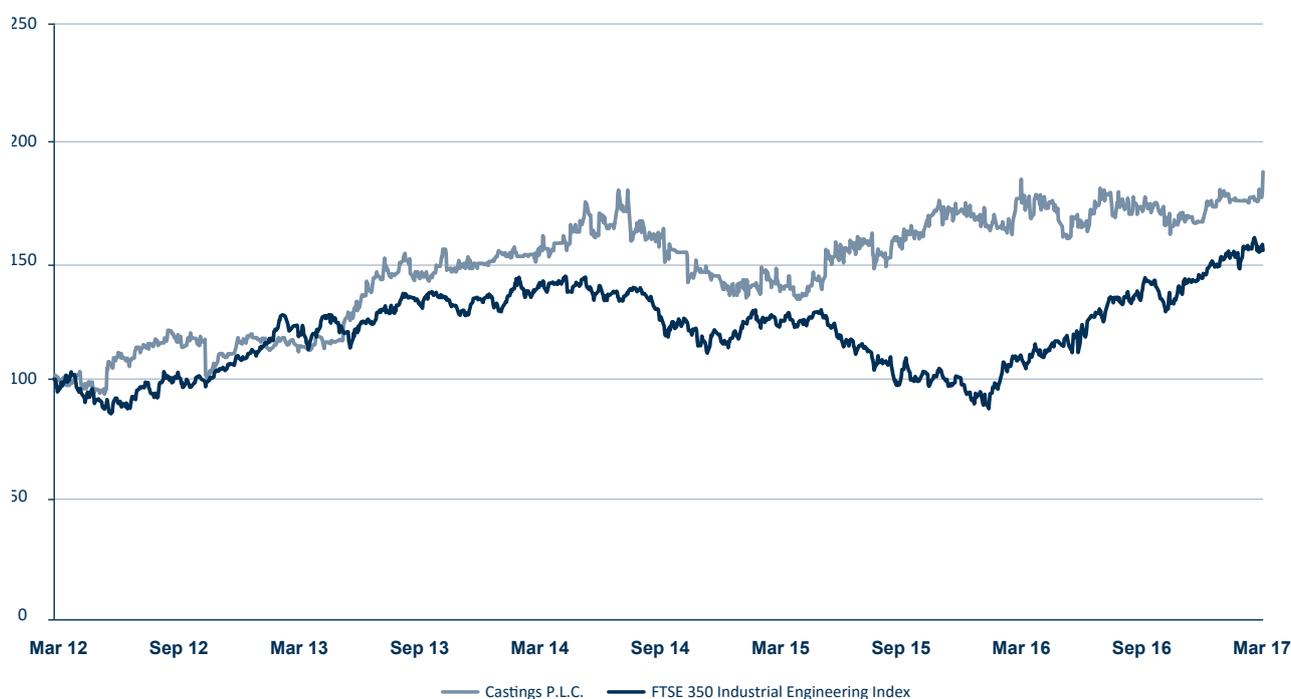
Directors' shareholdings (subject to audit)

The directors' interests in the ordinary share capital of the company (including the interest of connected persons) are set out in the Directors' Report on page 12.

Total shareholder return performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE 350 - Industrial Engineering Index, 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.

Castings P.L.C. – Total Shareholder Return



Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent

company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in Board of Directors on page 11 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Business and Financial Review includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

Website publication

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

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

Report on the financial statements

Our opinion

In our opinion:

- Castings P.L.C.'s group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Parent Company Balance Sheets as at 31 March 2017;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall group materiality: £850,000 which represents 5% of the average profit before tax over the last three year period.
- We performed audits of the complete financial information of all three trading entities in the Group.
- The three entities on which audit procedures were performed accounted for 100% of group revenue and 100% of group profit before tax.
- The area of particular focus for our work was:
 - Valuation of inventory.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus**Valuation of inventory**

Refer to the critical accounting estimates and judgements in Note 1 and Note 13 in the Group financial statements.

The Group holds a combination of raw materials, work in progress and finished goods in inventory. Raw materials is predominantly made up of metal used in the production of iron castings. Raw and machined castings are held in both work in progress and finished goods, based on the stage of production.

The valuation of inventory involves judgement relating to the calculation of standard cost rates and subsequent update to actual cost at year end. Raw materials are valued based on actual volumes, with assumptions made regarding the density of the metal, when calculating the value of inventory. Work in progress and finished goods are revalued to reflect the actual cost of production, with a number of assumptions made in the calculations. These include the time period over which actual costs are incurred and the composition of the costs that are to be absorbed.

We focused on this area as the assumptions applied in the valuation of inventory are inherently judgemental.

How our audit addressed the area of focus

We attended and undertook physical inventory counts at key locations validating that inventory held was in good physical condition, was accurately recorded, and that counting techniques were being applied consistently, including the application of relevant density factors for raw materials.

We inspected and tested the year-end inventory costing calculations prepared by management, including their arithmetic integrity. The standard cost rates have been re-calculated based on actual costs with the approach being consistent with prior year.

We have obtained justification from management on the assumptions adopted within the valuation calculations. This included obtaining justification for the time period over which costs that are deemed to make up the year-end inventory balance for work in progress and finished goods were incurred. We then evaluated the explanations obtained by performing sensitivity analysis on these assumptions and have not identified a reasonably possible change that would result in a material change to the valuation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group financial statements are a consolidation of the Group's three trading entities, comprising the Group's operating businesses in the iron casting and machining segments.

The Group engagement team performed audits of the complete financial information of all three reporting units. Those entities account for 100% of Group revenues and 100% of profit before tax. This provided us with the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£850,000 (2016: £1,000,000).
How we determined it	5% of the average profit before tax over the last three year period.
Rationale for benchmark applied	We believe that taking an average of profit before tax over three years provides a consistent basis for determining materiality as it eliminates the impact of cyclical fluctuations year on year caused by product lifecycles in the heavy goods vehicle and automotive industries that can have a disproportionate impact on the Consolidated Statement of Comprehensive Income.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £40,000 (2016: £20,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

continued

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 16, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

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

We have no exceptions to report.

- the statement given by the directors on page 14, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.

We have no exceptions to report.

- the section of the Annual Report on page 17, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- | | |
|--|--|
| • the directors' confirmation on page 8 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| • the directors' explanation on page 8 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

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

continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Hammond

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
14 June 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Revenue	2	118,822	132,448
Cost of sales		(88,634)	(98,431)
Gross profit		30,188	34,017
Distribution costs		(1,939)	(2,251)
Administrative expenses			
Excluding exceptional items		(12,701)	(12,591)
Exceptional items	4	130	315
Total administrative expenses		(12,571)	(12,276)
Profit from operations	3	15,678	19,490
Finance income	7	237	186
Profit before income tax		15,915	19,676
Income tax expense	8	(2,911)	(3,489)
Profit for the year attributable to equity holders of the parent company		13,004	16,187
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			
	6	235	228
		235	228
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available-for-sale financial assets			
		54	(28)
Reclassification adjustments for gains/(losses) on available for sale assets included in profit			
		—	85
Tax effect of items that may be reclassified			
		(10)	5
		44	62
Other comprehensive income for the year (net of tax)		279	290
Total comprehensive income for the year attributable to the equity holders of the parent company		13,283	16,477
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	10	29.80p	37.10p

Notes to the financial statements are on pages 33 to 49.

Consolidated Balance Sheet

as at 31 March 2017

	Notes	2017 £000	2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	72,762	66,948
Financial assets	12	408	354
Other receivables	14	2,269	3,383
		75,439	70,685
Current assets			
Inventories	13	14,063	11,992
Trade and other receivables	14	33,189	30,047
Other current interest-bearing deposits	19	5,000	10,000
Cash and cash equivalents		22,228	30,385
		74,480	82,424
Total assets		149,919	153,109
LIABILITIES			
Current liabilities			
Trade and other payables	15	19,866	16,769
Current tax liabilities		1,855	2,029
		21,721	18,798
Non-current liabilities			
Deferred tax liabilities	16	4,054	4,378
Total liabilities		25,775	23,176
Net assets		124,144	129,933
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		118,894	124,683
Total equity		124,144	129,933

The financial statements on pages 29 to 49 were approved and authorised for issue by the board of directors on 14 June 2017, and were signed on its behalf by:

B. J. Cooke

Chairman

S. J. Mant

Finance Director

Notes to the financial statements are on pages 33 to 49.

Consolidated Cash Flow Statement

for the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Profit before income tax		15,915	19,676
Adjustments for:			
Depreciation	11	7,276	6,853
Profit on disposal of property, plant and equipment	3	(24)	(62)
Loss on disposal of financial assets	3	—	48
Finance income	7	(237)	(186)
Pension administrative costs	6	235	228
(Increase)/decrease in inventories		(2,071)	123
(Increase)/decrease in receivables		(2,661)	2,925
Increase/(decrease) in payables		3,098	(1,832)
Cash generated from operating activities		21,531	27,773
Tax paid		(3,419)	(3,202)
Interest received	7	213	165
Net cash generated from operating activities		18,325	24,736
Cash flows from investing activities			
Dividends received from listed investments	7	24	21
Purchase of property, plant and equipment		(14,214)	(7,236)
Proceeds from disposal of property, plant and equipment		23	69
Transfer from other current interest-bearing deposits		5,000	—
Proceeds from disposal of financial assets		—	122
Repayments from pension schemes	6	3,761	1,135
Advances to the pension schemes	6	(2,004)	(2,610)
Net cash used in investing activities		(7,410)	(8,499)
Cash flow from financing activities			
Dividends paid to shareholders	9	(19,072)	(5,873)
Net cash used in financing activities		(19,072)	(5,873)
Net (decrease)/increase in cash and cash equivalents		(8,157)	10,364
Cash and cash equivalents at beginning of year		30,385	20,021
Cash and cash equivalents at end of year	19	22,228	30,385
Cash and cash equivalents:			
Short-term deposits		21,362	27,786
Cash available on demand		866	2,599
		22,228	30,385

Notes to the financial statements are on pages 33 to 49.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2017

	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 1 April 2016	4,363	874	13	124,683	129,933
Profit for the year	—	—	—	13,004	13,004
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	235	235
Change in fair value of available for sale assets	—	—	—	54	54
Tax effect of items taken directly to reserves	—	—	—	(10)	(10)
Total comprehensive income for the year ended 31 March 2017	—	—	—	13,283	13,283
Dividends (see note 9)	—	—	—	(19,072)	(19,072)
At 31 March 2017	4,363	874	13	118,894	124,144

	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 1 April 2015	4,363	874	13	114,079	119,329
Profit for the year	—	—	—	16,187	16,187
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	228	228
Change in fair value of available for sale assets	—	—	—	(28)	(28)
Reclassification adjustment for gains on available for sale assets included in profit	—	—	—	85	85
Tax effect of items taken directly to reserves	—	—	—	5	5
Total comprehensive income for the year ended 31 March 2016	—	—	—	16,477	16,477
Dividends (see note 9)	—	—	—	(5,873)	(5,873)
At 31 March 2016	4,363	874	13	124,683	129,933

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 Accounting policies

General information

Castings Public Limited Company (the “company”, “Castings P.L.C.”) is incorporated and registered in England as a public company limited by shares. The company’s registered office is at Lichfield Road, Brownhills, West Midlands, WS8 6JZ, United Kingdom. The Company’s ordinary shares are traded on the London Stock Exchange’s Regulated Market (Premium Listing). There has been no change in this information since the annual report for the year ended 31 March 2016.

Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the IFRS Interpretations Committee (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 2017 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 on a going concern basis and 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. The presentation currency used is sterling and the amounts have been presented in round thousands (“£000”).

New standards effective and adopted by the group in the year

There have been no new standards, or amendments to standards, that have been applied in the year.

Basis of consolidation

The consolidated statement of comprehensive income and balance sheet include the financial statements 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, controlled by the company and are based in the UK. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. 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 is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from the sale of goods relates to the sale of castings. Revenue from the sale of services relates to machining and minor assembly work performed on a sub-contract basis for external customers. Revenue is recognised when the goods and services have been collected by, or delivered to, the customer in accordance with the agreed delivery terms, reflecting the point at which the risks and rewards of ownership are transferred to the customer.

Notes to the Financial Statements

1 Accounting policies continued

Post-retirement benefits

Two of the group's pension plans are of a defined benefit type. Under IAS 19R Employee Benefits the employer's portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the net interest also being charged/credited to operating profit subject to the asset ceiling. Actuarial gains and losses are recognised in other comprehensive income and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method.

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

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

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.

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

Inventories

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

Cash and cash equivalents

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

Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction; all differences are dealt with through the consolidated statement of comprehensive income.

Financial instruments

a) Financial assets

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

Available-for-sale assets

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

Loans and receivables

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

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. These derivative financial instruments are accounted for at fair value through the consolidated statement of income where material to the financial statements.

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

Financial liabilities measured at amortised cost

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

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

c) Share capital

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

Current and deferred tax

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

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

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

Dividends

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

Finance income and expense

Finance income and expense is recognised in the consolidated statement of comprehensive income as it accrues.

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.

- IAS 1 Presentation of Financial Statements;
- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers; and
- Annual Improvements 2012–2014 Cycle – including IFRS 7 Financial Instruments, IAS 19 Employee Benefits and IAS 34 Interim Reporting.

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.

Notes to the Financial Statements

continued

1 Accounting policies continued

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.

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.

Pension surplus

In accordance with the winding-up provisions of the Trust Deed and Rules of the final salary pension schemes, management have concluded that the company does not have an unconditional right to receive returns of contributions or refunds when the schemes are in surplus. Accordingly, the surplus has not been recognised on the balance sheet as set out in note 6.

Inventory valuation

The valuation of inventory involves judgement relating to the calculation of standard cost rates and the subsequent update to actual costs at the year end.

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 2017:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	111,838	6,984	—	118,822
Inter-segmental revenue	16,826	16,347	—	33,173
Segmental result	14,506	1,519	(242)	15,783
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				130
Defined benefit pension cost				(235)
Finance income				237
Profit before income tax				15,915
Total assets	126,095	33,464	(9,640)	149,919
Non-current asset additions	7,945	5,145	—	13,090
Depreciation	3,543	3,733	—	7,276
Total liabilities	(24,620)	(5,529)	4,374	25,775

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 2016:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	114,738	17,710	—	132,448
Inter-segmental revenue	20,393	15,496	—	35,889
Segmental result	14,682	4,699	22	19,403
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				315
Defined benefit pension cost				(228)
Finance income				186
Profit before income tax				19,676
Total assets	129,704	33,089	(9,684)	153,109
Non-current asset additions	2,511	4,725	—	7,236
Depreciation	3,331	3,522	—	6,853
Total liabilities	(23,456)	(4,337)	4,617	23,176

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

	2017 £000	2016 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	32,889	43,514
Sweden	32,985	33,381
Netherlands	17,801	17,422
Rest of Europe	31,813	33,389
North and South America	2,879	4,074
Other	455	668
	118,822	132,448

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

Information about major customers

Included in revenues arising from Foundry operations are revenues of approximately £33,521,000, £16,084,000 and £11,518,000 from three ultimate customer groups (2016 – £33,044,000, £16,807,000 and £12,054,000 respectively).

3 Net operating costs

	2017 £000	2016 £000
Raw materials and consumables	22,858	27,046
Changes in inventories of finished goods and work in progress	(1,877)	(8)
Staff costs (note 5)	40,308	42,866
Depreciation of property, plant and equipment	7,276	6,853
Light, heat and power	9,707	11,638
Profit on disposal of property, plant and equipment	(24)	(62)
Profit on disposal of available for sale assets	—	48
Other costs	24,895	24,577
Total cost of sales, distribution costs and administrative expenses	103,144	112,958

Notes to the Financial Statements

continued

3 Net operating costs continued

During the year the group obtained the following services from the company's auditors:

	2017 £000	2016 £000
Fees payable to the company's auditors for the audit of the parent company and group financial statements	50	22
Fees payable to the company's auditors for other services:		
— The audit of the company's subsidiaries	40	30
— Tax compliance services	—	9

4 Exceptional items

	2017 £000	2016 £000
Recovery of past provision for losses on deposits with Icelandic banks	(130)	(315)
	(130)	(315)

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 £3.7 million has been received of the original balance of £5.7 million with the excess over the £1.86 million being shown as an exceptional credit.

5 Employee information

	2017	2016
Average monthly number of employees during the year was:		
Production	992	1,032
Management and administration	114	103
	1,106	1,135

	2017 £000	2016 £000
Staff costs (including directors) comprise:		
Wages and salaries	35,530	37,792
Social security costs	3,716	3,956
Other pension costs - defined contribution plans	827	890
Other pension costs - defined benefit plans (note 6)	235	228
	40,308	42,866

In addition to the wages and salaries disclosed above, the group incurred costs of £179,000 (2016 – £128,000) in respect of agency workers.

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

6 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay, which are closed to new entrants and were closed to future accruals on 6 April 2009. The assets are independent of the finances of the group and are administered by Trustees. The Trustee board is appointed by both the company and the members of the schemes and acts in the interest of the schemes and all relevant stakeholders, including the members and the company. The Trustees are responsible for the investment of the assets of the schemes.

The latest actuarial valuation was performed with an effective date of 6 April 2014 using the defined accrued benefit method. It assumed that the rate of return on investments was 4.9% per annum for pre-retirement and 3.9% for post-retirement and price inflation was 3.4% under RPI and 2.7% under CPI. The demographic assumptions are based on S2PA tables with an age rating of -1 year being applied to the tables for the Staff Scheme. For both schemes, the future mortality improvements were based on CMI 2013 projections with a 1.25% per annum long-term improvement rate.

The next actuarial valuation is being performed with an effective date of 6 April 2017.

In order to help optimise the return on assets held by the pension schemes, the pension and administration costs incurred by the schemes are paid by the company. The net amount due from the schemes (being benefit payments made less repayments received from the schemes) are subject to repayment to the company and recorded as amounts receivable from pension schemes in the group and company financial statements (notes 14 and 8 respectively). The amounts are recorded as payables by the schemes and shown as a reduction to asset values in the pension disclosures set out below.

The pension schemes are related parties of the company and during the year £2,004,000 (2016 – £2,610,000) was paid by the company on behalf of the schemes in respect of pension payments and administration costs. There are no funding arrangements in place that would impact on future contributions and no contributions are expected to be made in the next financial period. The pension schemes made repayments to the company during the year of £3,761,000 (2016 – £1,135,000). At 31 March 2017 the outstanding balance due from the schemes to the company was £5,391,000 (2016 – £7,148,000) as set out in note 14. The outstanding balance was not discounted to fair value on the change of terms because the resulting adjustment was not material to the financial statements.

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

Related risks

Through its defined benefit pension plans, the group is exposed to a number of risks that are inherent in such plans and arrangements. The risks are summarised below and there are no unusual, entity-specific or plan-specific risks and no significant concentration risks. The risks can be summarised as follows:

- asset value volatility, with the associated impact on the assets held in connection with the funding of pension obligations and the related cash flows;
- changes in bond yields, with any reduction resulting in an increase in the present value of pension obligations, mitigated by an increase in the value of some of the plan assets;
- inflation, as pension obligations are linked to inflation; and
- life expectancy, as pension benefits are generally provided for the life of beneficiaries and their dependants.

Composition of the schemes

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6 April 2014 and updated to 31 March 2017 using the projected unit method by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2017	2016
Rate of increase of pensions in payment	2.45%	2.15%
Discount rate	2.50%	3.50%
Inflation assumption (RPI)	3.10%	2.85%
Inflation assumption (CPI)	2.40%	2.15%
	2017	2016
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	50,271	53,518
Interest cost on defined benefit obligation	1,729	1,700
Actuarial loss/(gain) – financial assumptions	11,187	(2,543)
Benefits paid	(1,768)	(2,404)
Benefit obligation at end of year	61,419	50,271
Change in plan assets		
Fair value of plan assets at beginning of year	64,965	68,082
Interest income on plan assets	2,239	2,173
Return on plan assets greater than/(less than) discount rate	13,062	(2,658)
Administrative expenses	(235)	(228)
Benefits paid	(1,768)	(2,404)
Fair value of plan assets at end of year	78,263	64,965
Surplus	16,844	14,694
Unrecognised pension surplus (asset ceiling)	(16,844)	(14,694)
Net amount recognised in the balance sheet	–	–

Notes to the Financial Statements

continued

6 Pensions continued

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

	Year to 31 March 2017 £000	Year to 31 March 2016 £000
Components of pension cost		
Current service cost	—	—
Interest cost on defined benefit obligation	1,729	1,700
Interest income on plan assets	(2,239)	(2,173)
Interest expense on effect of asset ceiling on unrecognised surplus	510	473
Administrative expenses	235	228
Total pension cost recognised within administrative expenses (note 5)	235	228
Actuarial loss/(gain)	11,187	(2,543)
Return on plan assets (greater than)/less than discount rate	(13,062)	2,658
Changes in asset ceiling on unrecognised surplus	1,640	(343)
Pension gain shown in statement of comprehensive income	(235)	(228)
Total defined benefit cost recognised in the year	—	—

Defined benefit obligation by participant category

	31 March 2017 £000	31 March 2016 £000
Participant category		
Active participants	—	—
Deferred participants	35,749	27,472
Pensioners	25,670	22,799
	61,419	50,271

Plan assets

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

	Plan assets at 31 March 2017 £000	Plan assets at 31 March 2016 £000
Assets category		
Cash and cash equivalents	2,809	493
Equities	54,562	47,307
Bonds	23,689	21,820
Real estate	2,594	2,493
	83,654	72,113
Amounts repayable to the group	(5,391)	(7,148)
	78,263	64,965

The equities are invested in UK equity index (51%), World equity index (43%) and Europe equity index (6%). Of the bonds, 74% of the value is invested in over 15 year gilts and active corporate bonds over 10 years.

In determining the appropriate discount rate, the company considers the interest rates of corporate bonds with at least an 'AA' rating.

The projected pension cost for the year ending 31 March 2018 is £241,000.

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

	2017		2016	
	Male Staff/ Shopfloor	Female Staff/ Shopfloor	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	23.4/22.6	25.5/24.6	23.4/22.5	25.4/24.5
Scheme member age 45 (life expectancy at age 65)	25.3/24.4	27.4/26.5	25.2/24.3	27.3/26.4

* Mortality tables S2PA CMI 2013 projections with a 1.25% long-term rate of improvement have been used for both schemes, with a -1 age rating applied to the Staff scheme.

Sensitivities

The calculations of the defined benefit obligations are sensitive to the assumptions set out on pages 38 to 41. The following table sets out the estimated impact of a change in the assumptions on the defined benefit obligation at 31 March 2017, while holding all other assumptions constant. The sensitivity analysis may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of another as some of the assumptions may be correlated.

	£000
Increase in defined benefit obligation as a result of:	
Reduction in the discount rate of 0.25%	3,117
Increase in inflation of 0.25%	1,836
One year increase in life expectancy	1,655

Maturity profile of defined benefit obligation

	31 March 2017 £000	31 March 2016 £000
Expected benefit payments during:		
Year 1	1,796	2,443
Year 2	1,824	2,482
Year 3	1,853	2,522
Year 4	1,882	2,562
Year 5	1,911	2,604
Years 6–10	10,013	13,665

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

The weighted average duration of the defined benefit obligation of the schemes is 17 years.

7 Finance income

	2017 £000	2016 £000
Interest on short-term deposits	213	165
Income from listed investments	24	21
	237	186

Notes to the Financial Statements

continued

8 Income tax expense

	2017 £000	2016 £000
Corporation tax based on a rate of 20% (2016 – 20%)		
UK corporation tax		
Current tax on profits for the year	3,389	4,015
Adjustments to tax charge in respect of prior periods	(144)	(121)
	3,245	3,894
Deferred tax		
Current year origination and reversal of temporary differences	(20)	20
Adjustment to deferred tax charge in respect of prior periods	(314)	63
Change in rate of corporation tax	—	(488)
	(334)	(405)
Taxation on profit	2,911	3,489
Profit before income tax	15,915	19,676
Tax on profit at the standard rate of corporation tax in the UK of 20% (2016 – 20%)	3,183	3,935
Effect of:		
Expenses not deductible for tax purposes	139	54
Adjustment to tax charge in respect of prior periods	(144)	(121)
Adjustment to deferred tax charge in respect of prior periods	(314)	63
Change in rate of future tax	—	(488)
Pension adjustments	47	46
Total tax charge for the year	2,911	3,489
Effective rate of tax (%)	18.3	17.7

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill (No. 2) Act 2015 on 18 November 2015 and the Finance Act 2016 on 7 September 2016. These include reductions in the main tax rate to 19% from 1 April 2017 and 17% from 1 April 2020.

9 Dividends

	2017 £000	2016 £000
Final paid of 10.33p per share for the year ended 31 March 2016 (2015 – 10.08p)	4,507	4,398
Interim paid of 3.38p per share (2016 – 3.38p)	1,475	1,475
Supplementary dividend of 30.00p per share for the year ended 31 March 2016	13,090	—
	19,072	5,873

The directors are proposing a final dividend of 10.59 pence (2016 – 10.33 pence) per share totalling £4,620,636 (2016 – £4,507,193). 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 £13,004,000 (2016 – £16,187,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2016 – 43,632,068). There are no potentially dilutive shares, hence the diluted earnings per share is the same as above.

11 Property, plant and equipment

	Freehold and leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2016	34,579	120,978	155,557
Adjustment to opening balance	(5)	84	79
Additions during year	5,661	7,429	13,090
Disposals	—	(2,628)	(2,628)
At 31 March 2017	40,235	125,863	166,098
Accumulated depreciation			
At 1 April 2016	6,986	81,623	88,609
Adjustment to opening balance	—	79	79
Charge for year	1,028	6,248	7,276
Disposals	—	(2,628)	(2,628)
At 31 March 2017	8,014	85,322	93,336
Net book values			
At 31 March 2017	32,221	40,541	72,762
At 31 March 2016	27,593	39,355	66,948

Cost			
At 1 April 2015	32,256	116,781	149,037
Additions during year	2,323	4,913	7,236
Disposals	—	(716)	(716)
At 31 March 2016	34,579	120,978	155,557
Accumulated depreciation			
At 1 April 2015	6,175	76,290	82,465
Charge for year	811	6,042	6,853
Disposals	—	(709)	(709)
At 31 March 2016	6,986	81,623	88,609
Net book values			
At 31 March 2016	27,593	39,355	66,948
At 31 March 2015	26,081	40,491	66,572

The net book value of land and buildings includes £2,527,000 (2016 – £2,527,000) for land which is not depreciated and assets in the course of construction with a net book value of £1,004,000 (2016 - £1,971,000 and 2015 – £1,015,000) which are not depreciated.

The cost of land and buildings includes £359,000 for property held on long leases (2016 – £359,000).

Included within plant and equipment are assets in the course of construction with a net book value of £995,000 (2016 and 2015 - £nil) and assets not fully in production with a net book value of £4,492,000 (2016 - £3,004,000 and 2015 - £5,600,000) which are not being depreciated.

Notes to the Financial Statements

continued

12 Financial assets

	2017 £000	2016 £000
Available-for-sale assets	408	354
	2017 £000	2016 £000
At 1 April 2016	354	467
Net gains/(losses) transferred to statement of comprehensive income	54	(28)
Reclassification in respect of assets disposed of during the year	—	(85)
At 31 March 2017	408	354

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 quoted prices in an active market.

13 Inventories

	2017 £000	2016 £000
Raw materials	2,890	2,433
Work in progress	4,337	4,828
Finished goods	6,836	4,731
	14,063	11,992

Inventories are net of impairment provisions of £84,000 (2016 – £115,000).

14 Trade and other receivables

	2017 £000	2016 £000
Due within one year:		
Trade receivables	24,716	23,391
Other receivables	1,275	1,237
Receivable from pension schemes (see note 6)	3,122	3,765
Prepayments	4,076	1,654
	33,189	30,047
	2017 £000	2016 £000
Due after more than one year:		
Receivable from pension schemes (see note 6)	2,269	3,383
	2,269	3,383

15 Trade and other payables

	2017 £000	2016 £000
Current trade and other payables:		
Trade payables	11,687	9,592
Social security	1,553	1,694
Other payables	429	205
Accruals	6,197	5,278
	19,866	16,769

Included within accruals is a warranty provision that is not material to the financial statements.

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in future years of 19% and 17% (2016 – 19% and 18%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2017 £000	2016 £000
At 1 April 2016	4,378	4,788
Charged/(credited) to other comprehensive income	10	(5)
Credited to profit	(334)	(405)
At 31 March 2017	4,054	4,378

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

Deferred tax – liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2016	4,365	13	4,378
Credited to profit	(306)	(28)	(334)
Charged to other comprehensive income	—	10	10
At 31 March 2017	4,059	(5)	4,054

Of the deferred tax liabilities, £199,000 (2016 - £80,000) is expected to be recovered within 12 months with £3,855,000 (2016 - £4,298,000) expected to be recovered after more than 12 months.

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

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2015	4,910	(122)	4,788
(Credited)/charged to profit	(545)	140	(405)
Credited to other comprehensive income	—	(5)	(5)
At 31 March 2016	4,365	13	4,378

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

	2017 £000	2016 £000
Tax on change in fair value of available-for-sale financial assets	10	(5)
Tax on items taken directly to other comprehensive income	10	(5)

17 Share capital

	2017 £000	2016 £000
Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

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

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

Notes to the Financial Statements

continued

18 Commitments and contingencies

	2017 £000	2016 £000
Capital commitments contracted for by the group but not provided for in the financial statements	4,406	6,087

As set out on page 7, 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 2017, the directors do not consider any significant liability will arise in respect of any such claims (2016 – £nil).

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 years unless otherwise stated in this note.

Principal financial instruments

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

- Trade receivables
- Other receivables
- Cash at bank
- Other interest-bearing deposits
- Trade and other payables

General objectives, policies and processes

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

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

Categories of financial assets and financial liabilities

	Financial assets	
	2017 £000	2016 £000
Current financial assets		
Trade receivables	24,716	23,391
Other receivables	4,397	5,002
Cash and cash equivalents	22,228	30,385
Other interest-bearing deposits	5,000	10,000
Total current financial assets	56,341	68,778
Non-current financial assets		
Available for sale financial assets	408	354
Other receivables	2,269	3,383
Total non-current financial assets	2,677	3,737
Total financial assets	59,018	72,515

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

	Financial liabilities measured at amortised cost	
	2017 £000	2016 £000
Current financial liabilities		
Trade payables	11,687	9,592
Other payables	429	205
Accruals	6,197	5,278
Total current financial liabilities	18,313	15,075

Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. As at 31 March 2017, trade receivables of £24,105,000 (2016 – £23,092,000) were not past due.

Apart from the largest customers set out in note 2, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, being related entities. Concentration of credit risk to the direct customers included in note 2 did not exceed 25% of trade receivables at any time during the year. Concentration of credit risk to any other counterparty did not exceed 10% of trade receivables at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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 (e.g. 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. Proforma 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 credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit-ratings (if available) or to historical information about default rates. The credit quality of trade receivables that are neither past due nor impaired are all assessed to be fully recoverable (2016 - fully recoverable).

At 31 March 2017 trade receivables of £291,000 (2016 – £173,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2017 £000	2016 £000
30–60 days	15	63
60–90 days	36	80
90+ days	240	30
	291	173

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

	2017 £000	2016 £000
Opening balance	168	227
Increase/(decrease) in provisions	209	(45)
Written off against provisions	(15)	(14)
Closing balance	362	168

Impairment losses on trade receivables of £194,000 (2016 – reversals of £59,000) were recognised in administrative expenses.

Notes to the Financial Statements

continued

19 Financial instrument risk exposure and management continued

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).

Where the group has generated a significant amount of surplus cash it will invest in term deposits if liquidity risk is not unduly compromised. Whilst a review of credit ratings is performed for each counterparty, there will always remain an element of risk over deposits. The directors believe that the exposure to market price risk from these activities is acceptable in the group's circumstances.

Interest rate and currency risk

The group does not have any financial liabilities subject to interest rate risk at the balance sheet date (2016 – £nil).

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. It is the group's policy to convert all non-functional currency to sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider the use of hedging facilities would significantly minimise this risk. At the balance sheet date the group had forward contracts in place to sell euros with a sterling value of £nil (2016 – £2,209,000).

At the balance sheet date foreign exchange facilities of £1.9 million (2016 – £1.9 million) were unused and available to the group to enable it to enter into forward exchange contracts.

The currency and interest profile of the group's financial assets and financial liabilities are as follows:

	Floating rate assets 2017 £000	Fixed rate assets 2017 £000	Interest-free assets 2017 £000	Total 2017 £000
Sterling	5	25,931	24,825	50,761
US\$	36	—	389	425
Euro	930	326	6,576	7,832
	971	26,257	31,790	59,018

	Floating rate assets 2016 £000	Fixed rate assets 2016 £000	Interest-free assets 2016 £000	Total 2016 £000
Sterling	5	39,208	29,608	68,821
US\$	211	—	178	389
Euro	636	326	2,343	3,305
	852	39,534	32,129	72,515

	Interest-free liabilities 2017 £000	Interest-free liabilities 2016 £000
Sterling	17,263	14,529
US\$	931	383
Euro	119	163
	18,313	15,075

Fixed rate assets attracted interest rates between 0.35% to 1.00% (2016 – 0.35% to 1.25%) on sterling deposits.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits on call with banks and short-term deposits that have fixed interest rates and original maturities of three months or less on inception.

The effect of a +25/(25) increase/(decrease) in basis points with all other variables held constant would have the effect of increasing/(decreasing) profit before tax by £83,000/(£83,000) (2016 – £85,000/(£85,000)).

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 £313,000/(£346,000) (2016 – £112,000/(£123,000)).

Other interest-bearing deposits

Other interest-bearing deposits comprise short-term deposits that have fixed interest rates and a maturity date of 23 November 2017.

Fair value

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

20 Related party transactions

The group has a related party relationship with its directors; details of salaries and other benefits paid to directors are disclosed in the Directors' Remuneration Report on pages 18 to 22.

Transactions with the group's pension schemes and balances owed to the company by the schemes are disclosed in note 6.

Controlling party

The company's shares are listed on the London Stock Exchange's Regulated Market (Premium Listing) and are widely held. There is no one controlling party or group of related parties who have control of the group.

Five Year Financial History – unaudited

For the years ended 31 March	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Trading results					
Revenue	118,822	132,448	131,268	137,466	122,215
Profit before tax	15,915	19,676	17,547	21,833	19,157
Profit after tax	13,004	16,187	13,875	17,258	14,786
Dividends paid	19,072	5,873	5,694	5,450	5,157
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	119,781	125,570	114,966	106,546	97,735
Total equity	124,144	129,933	119,329	110,909	102,098
Assets					
Property, plant and equipment	72,762	66,948	66,572	65,195	61,676
Financial assets	408	354	467	522	494
Other receivables	2,269	3,383	4,538	—	—
	75,439	70,685	71,577	65,717	62,170
Current assets	74,480	82,424	72,478	73,154	67,622
Total liabilities	(25,775)	(23,176)	(24,726)	(27,962)	(27,694)
	124,144	129,933	119,329	110,909	102,098
Dividends and earnings					
Pence per share declared	13.97	13.71	13.30	12.96	12.34
Number of times covered (dividend paid, excluding special)	2.2	2.8	2.4	3.2	2.9
Earnings per share — basic and diluted	29.80p	37.10p	31.80p	39.55p	33.89p

Parent Company Balance Sheet

as at 31 March 2017

	Notes	2017 £000	2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,858	16,357
Investments	6	4,995	4,995
Financial assets	7	408	354
Other receivables	9	2,269	3,383
		29,530	25,089
Current assets			
Inventories	8	9,810	7,692
Trade and other receivables	9	23,588	22,144
Other current interest-bearing deposits		3,000	8,000
Cash and cash equivalents		18,243	23,388
		54,641	61,224
Total assets		84,171	86,313
LIABILITIES			
Current liabilities			
Trade and other payables	10	12,377	11,723
Current tax liabilities		1,531	1,419
		13,908	13,142
Non-current liabilities			
Deferred tax liabilities	11	933	1,234
Total liabilities		14,841	14,376
Net assets		69,330	71,937
Equity attributable to the equity holders of the company			
Share capital	12	4,363	4,363
Share premium account		874	874
Other reserve		13	13
Retained earnings		64,080	66,687
Total shareholders' funds		69,330	71,937

The parent company financial statements on pages 51 to 59 were approved and authorised for issue by the board of directors on 14 June 2017, and were signed on its behalf by:

B. J. Cooke
Chairman

S. J. Mant
Finance Director

Notes to the financial statements are on pages 53 to 59.

Registered number — 91580.

Parent Company Statement of Changes in Equity

for the year ended 31 March 2017

	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 1 April 2016	4,363	874	13	66,687	71,937
Profit for the year	—	—	—	16,421	16,421
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	54	54
Tax effect of items taken directly to reserves	—	—	—	(10)	(10)
Total comprehensive income for the year ended 31 March 2017	—	—	—	16,465	16,465
Dividends (see note 3)	—	—	—	(19,072)	(19,072)
At 31 March 2017	4,363	874	13	64,080	69,330

	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 1 April 2015	4,363	874	13	58,996	64,246
Profit for the year	—	—	—	13,502	13,502
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	(28)	(28)
Reclassification adjustment for losses on available for sale assets included in profit	—	—	—	85	85
Tax effect of items taken directly to reserves	—	—	—	5	5
Total comprehensive income for the year ended 31 March 2016	—	—	—	13,564	13,564
Dividends (see note 3)	—	—	—	(5,873)	(5,873)
At 31 March 2016	4,363	874	13	66,687	71,937

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 Parent Company Financial Statements

The Directors' Report is on pages 12 to 14 of the Annual Report and Financial Statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of certain financial instruments.

As permitted by FRS 101, the company has taken advantage of certain disclosure exemptions available under that standard and, therefore, these financial statements do not include:

- certain comparative information otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by the company.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the group financial statements. Therefore, these financial statements do not include certain disclosures in respect of business combinations, financial instruments (other than certain disclosures required as a result of recording instruments at fair value), impairment of assets and pension schemes.

Revenue

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognised when the goods have been collected by, or delivered to, the customer in accordance with the agreed delivery terms, reflecting the point that the risks and rewards of ownership are transferred to the customer.

Post-retirement benefits

For defined benefit schemes, current service costs and curtailment gains are charged to operating profit, with the net interest also being charged/credited to operating profit subject to the asset ceiling. Actuarial gains and losses are recognised in other comprehensive income and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method. Where the company cannot benefit from a scheme surplus, in the form of refunds from the plans or reduction in future contributions, any asset resulting from the above policy is restricted accordingly. Contributions to defined contribution pension schemes are charged to the income statement 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:

- Freehold buildings over 50 years
- Plant and other equipment over a period of 3 to 15 years

Inventories

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

Cash and cash equivalents

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

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 12 to 14 of the Annual Report and Financial Statements

1 Accounting policies continued

Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction; all differences are dealt with through the statement of comprehensive income.

Financial instruments

a) Financial assets

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

Available-for-sale assets

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

Loans and receivables

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

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

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

b) Financial liabilities

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

Financial liabilities measured at amortised cost

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

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

c) Share capital

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

Current and deferred tax

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

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

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

Dividends

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

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually.

Critical accounting estimates and judgements

The company 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 set out on page 34 of the group financial statements.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2017, have had a material impact on the company.

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 financial statements. The company's profit for the financial year was £16,421,000 (2016 – £13,502,000).

The profit and loss account includes £50,000 (2016 – £22,000) for audit fees.

The cost of inventories recognised as an expense during the year was £41,182,000 (2016 - £39,747,000).

3 Employee information

	2017	2016
Average monthly number of employees during the year was:		
Production	395	392
Management and administration	27	27
	422	419
	2017	2016
	£000	£000
Staff costs (including directors) comprise:		
Wages and salaries	15,953	16,032
Social security costs	1,721	1,728
Pension costs - defined contribution plans	525	539
	18,199	18,299

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

4 Dividends

	2017	2016
	£000	£000
Final paid of 10.33p per share for the year ended 31 March 2016 (2015 – 10.08p)	4,507	4,398
Interim paid of 3.38p per share (2016 – 3.38p)	1,475	1,475
Supplementary dividend of 30.00p for the year ended 31 March 2016 (2015 - nil)	13,090	–
	19,072	5,873

The directors are proposing a final dividend of 10.59 pence (2016 – 10.33 pence) per share totalling £4,620,636 (2016 – £4,507,193). This dividend has not been accrued at the balance sheet date.

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 12 to 14 of the Annual Report and Financial Statements

5 Property, plant and equipment

	Freehold and leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2016	16,857	27,727	44,584
Additions during year	4,603	2,135	6,738
At 31 March 2017	21,460	29,862	51,322
Accumulated depreciation			
At 1 April 2016	3,457	24,770	28,227
Charge for year	387	850	1,237
At 31 March 2017	3,844	25,620	29,464
Net book values			
At 31 March 2017	17,616	4,242	21,858
At 31 March 2016	13,400	2,957	16,357

The net book value of land and buildings includes £2,127,000 (2016 – £2,127,000) for land which is not depreciated. Included within plant and other equipment are assets in the course of construction with a net book value of £995,000 (2016 and 2015 – £nil) which are not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2016 – £359,000).

6 Investments

	2017 £000	2016 £000
Subsidiary companies		
At cost	4,995	4,995
	4,995	4,995
Impairment losses		
At 1 April 2016	4,995	5,281
Impairment losses	–	(286)
At 31 March 2017	4,995	4,995

The company owns 100% of the issued share capital of William Lee Limited, CNC Speedwell Limited, W. H. Booth & Co. Limited and Castings Property Limited, companies which operate in the United Kingdom. William Lee Limited supplies spheroidal graphite iron castings and CNC Speedwell Limited is a machinist operation. W. H. Booth & Co. Limited and Castings Property Limited do not trade and are dormant. The registered office of William Lee Limited is Callywhite Lane, Dronfield, Sheffield, S18 2XU. The registered office for all other subsidiaries is Lichfield Road, Brownhills, West Midlands, WS8 6JZ.

7 Financial assets

	2017 £000	2016 £000
Available-for-sale assets		
	408	354
At 1 April 2016		
At 1 April 2016	354	467
Net gains/(losses) transferred to the statement of comprehensive income	54	(28)
Reclassification in respect of assets disposed of during the year	–	(85)
At 31 March 2017	408	354

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.

8 Inventories

	2017 £000	2016 £000
Raw materials	1,423	792
Work in progress	3,525	2,866
Finished goods	4,862	4,034
	9,810	7,692

Inventories are net of impairment provisions of £73,000 (2016 – £47,000).

9 Trade and other receivables

	2017 £000	2016 £000
Due within one year:		
Trade receivables	17,892	16,990
Amounts receivable from subsidiary companies	681	–
Other receivables	1,233	1,237
Receivable from pension schemes (see note 6 of group financial statements)	3,122	3,765
Prepayments	660	152
	23,588	22,144

	2017 £000	2016 £000
Due after more than one year:		
Receivable from pension schemes (see note 6 of group financial statements)	2,269	3,383
	2,269	3,383

Trade receivables are net of impairment provisions of £221,000 (2016 – £50,000).

10 Trade and other payables

	2017 £000	2016 £000
Current trade and other payables		
Trade payables	6,012	4,604
Amounts owed to subsidiary companies	2,880	3,794
Social security	753	855
Other payables	214	205
Accruals	2,518	2,265
	12,377	11,723

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 12 to 14 of the Annual Report and Financial Statements

11 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in future years of 19% and 17% (2016 – 19% and 18%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2017 £000	2016 £000
At 1 April 2016	1,234	1,456
Charged/(credited) to other comprehensive income	10	(5)
Credited to profit	(311)	(217)
At 31 March 2017	933	1,234

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

Deferred tax – liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2016	1,204	30	1,234
(Credited)/charged to profit	(316)	5	(311)
Charged to other comprehensive income	–	10	10
At 31 March 2017	888	45	933

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

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2015	1,557	(101)	1,456
(Credited)/charged to profit	(353)	136	(217)
Credited to other comprehensive income	–	(5)	(5)
At 31 March 2016	1,204	30	1,234

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

	2017 £000	2016 £000
Tax on change in fair value of available-for-sale financial assets	10	(5)
Tax on items taken directly to other comprehensive income	10	(5)

12 Share capital

	2017 £000	2016 £000
Allotted and fully paid 43,632,068 (2016 - 43,632,068) 10p ordinary shares	4,363	4,363

13 Pensions

Castings P.L.C. has no contractual agreement or stated policy for charging its subsidiary entities for the net defined benefit cost on an IAS 19 Employee Benefits measurement basis. Legally, Castings P.L.C. is the sponsoring employer for the plan, so it recognises the full defined benefit cost or asset (where recoverable) in its financial statements. The last valuation was performed with the effective date of 6 April 2014. Further details of the schemes are contained in note 6 to the group financial statements.

14 Capital commitments and contingencies

	2017 £000	2016 £000
Authorised, but not provided in the financial statements	83	4,245

The company does not insure against the potential cost of product warranty or recall. Accordingly, there is always the possibility of claims against the company for quality-related issues on parts supplied to customers. As at 31 March 2017, the directors do not consider any significant liability will arise in respect of any such claims (2016 - £nil).

Notice of Meeting

Notice is hereby given that the one hundred and tenth Annual General Meeting of Castings P.L.C. (the "company") will be held at Fairlawns Hotel & Spa, Little Aston Road, Aldridge, West Midlands, WS9 0NU on 15 August 2017 at 3.30 pm for the following purposes:

As ordinary business

- 1 To receive and adopt the Directors' Report and audited financial statements for the year ended 31 March 2017.
- 2 To declare a final dividend.
- 3 To re-elect B. J. Cooke as a director.
- 4 To re-elect S. J. Mant as a director.
- 5 To re-elect G. B. Wainwright as a director.
- 6 To approve the directors' remuneration policy.
- 7 To approve the Directors' Remuneration Report for the year ended 31 March 2017.
- 8 To appoint PricewaterhouseCoopers LLP as auditors of the company at a fee to be agreed with the directors.

To consider and, if thought fit, pass the following resolutions, of which resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions.

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

As an ordinary resolution

- 9 THAT:
- (a) the directors be and are hereby generally and unconditionally authorised in accordance with the Companies Act 2006 to exercise all the powers of the company to allot relevant securities provided that the aggregate nominal value of such securities shall not exceed £636,793, which represents approximately 14.6% of the current issued share capital of the company;
 - (b) the foregoing authority shall expire on 14 August 2022 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 16 August 2016, which authorities are accordingly hereby revoked;
 - (d) this authority will be put to annual shareholder approval.

As special business

As special resolutions

- 10 THAT the directors be and are hereby empowered pursuant to the Companies Act 2006 to allot equity securities (within the meaning of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 9 set out in the notice convening this meeting as if the said Act did not apply to any such allotment provided that this power shall be limited:
- (a) to allotments in connection with an offer of equity securities to the ordinary shareholders of the Company where the securities respectively attributable to the interests of such holders are proportionate (as nearly as may be and subject to such exclusions or other arrangement as the directors may consider appropriate, necessary or expedient to deal with any fractional entitlements or with any legal or practical difficulties in respect of overseas holders or otherwise) to the respective numbers of ordinary shares then held by such shareholders; and
 - (b) to the allotment (otherwise than pursuant to subparagraph (a) of this resolution) of equity securities having, in the case of relevant shares, an aggregate nominal amount, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal amount not exceeding £218,160, which represents approximately 5% of the current issued share capital of the company,

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

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

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844, representing 9.99% of the issued share capital at 31 March 2017;
- (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 14 July 2017. Assuming the final dividend is approved by the members, the dividend will be paid on 18 August 2017.

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 11 August 2017. 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
14 June 2017

Note:

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

Beneficial owners:

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

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

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

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

Directors, Officers and Advisers

Directors	<p>B. J. Cooke, AdvDipNFC, FICME <i>Non-executive Chairman</i> A. Vicary, BEng, MSc, FICME <i>Chief Executive Officer</i> S. J. Mant, BSocSc (Hons) FCA <i>Finance Director</i> M. A. Lewis <i>Managing Director, CNC Speedwell Limited</i> G. B. Wainwright, MCMI, MIEEx, FRSA <i>Senior Independent Non-executive</i> A. N. Jones, BA (Hons), FCA <i>Non-executive</i></p>
Secretary and Registered Office	<p>S. J. Mant, FCA Lichfield Road, Brownhills, West Midlands, WS8 6JZ Tel: 01543 374341 Fax: 01543 377483 Web: www.castings.plc.uk</p>
Registrars	<p>Capita Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30 am to 5.30 pm Mon–Fri) Fax: 020 8658 3430</p>
Auditors	<p>PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street, Birmingham, B3 2DT</p>
Solicitors	<p>Enoch Evans LLP St Paul's Chambers, 6/9 Hatherton Road, Walsall, West Midlands, WS1 1XS</p> <p>Pinsent Masons LLP 3 Colmore Circus, Birmingham, B4 6BH</p>
Bankers	<p>HSBC Bank plc High Street, Brownhills, West Midlands, WS8 6HJ</p>
Stockbrokers	<p>Arden Partners plc Arden House, Highfield Road, Edgbaston, Birmingham, B15 3DU</p>
Registered No.	91580

Shareholder Notes

Shareholder Notes

Shareholder Information

Capital gains tax

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

Warning to shareholders

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

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

If you receive any unsolicited investment advice:

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

More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/consumers/scams

Website

Castings P.L.C.'s website www.castings.plc.uk gives additional information on the group. Notwithstanding the references we make in this Annual Report to Castings P.L.C.'s website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.

Castings P.L.C.
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