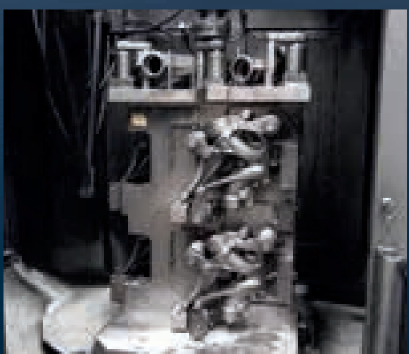


CASTINGS P.L.C.

Annual Report for the year ended 31 March 2020

Stock Code: CGS

An Introduction
to Castings P.L.C.

Castings P.L.C. is a market leading iron casting and machining group based in the UK supplying both the domestic and export markets.

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.

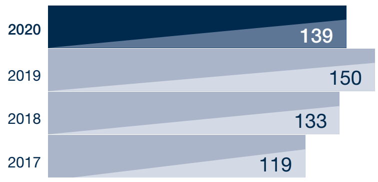
Contents

Financial Highlights

Group revenue (£m)

£139m

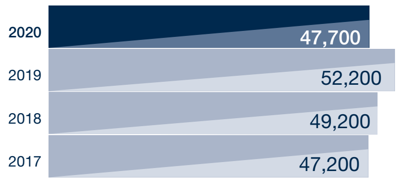
(2019: £150m)



Foundry sales volume (tonnes)

47,700

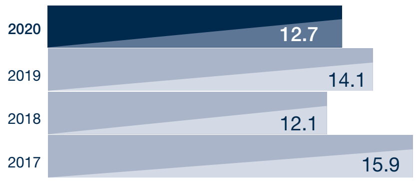
(2019: 52,200)



Profit before tax (£m)

£12.7m

(2019: £14.1m)



Profit before tax (excluding exceptional items)

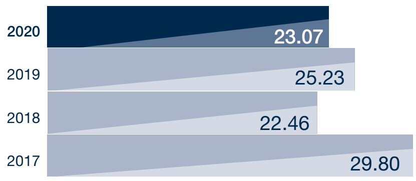
£12.7m

(2019: 15.3m)

EPS (basic and diluted)

23.07p

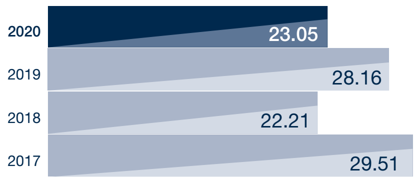
(2019: 25.23p)



EPS (excluding exceptional items)

23.05p

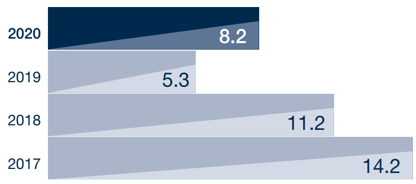
(2019: 28.16p)



Capital expenditure (£m)

£8.2m

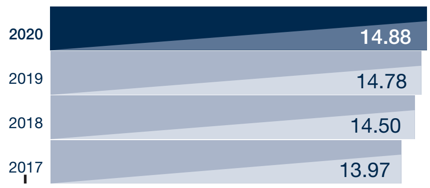
(2019: £5.3m)



Dividend per share (excluding supplementary dividend) (pence)

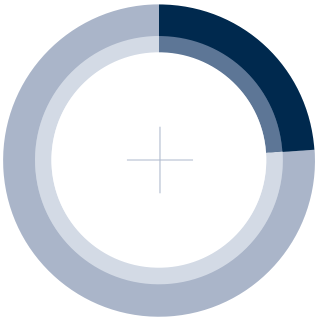
14.88p

(2019: 14.78p)



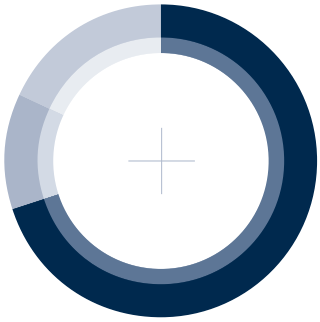
Revenue Profile

Geographical revenue split



- United Kingdom 26%
- Export 74%

Customer sector profile



- Commercial vehicle 69%
- Automotive 12%
- Other 19%

Chairman's Statement

The turnover of the group decreased to £139 million (£150 million last year) with a reduction in profit before exceptional items and income tax to £12.7 million compared to £15.3 million last year.

Overview

Despite the problems associated with COVID-19, I am pleased to report a reasonably satisfactory profit for the year.

It has been a year of three parts each of varying lengths. In the first half of the year we saw strong demand from our customers, generating a good level of profitability. The second half of the year saw reduced levels of demand from the commercial vehicle sector and output reduced to approximately 70% of our capacity; we expected reduced profit levels in this period as previously reported. The final part started in the third week of March 2020 as the impact of COVID-19 started to come through. As a result of plant closures at the OEMs, our demand reduced by approximately 80% and the year end result was negatively affected by approximately £0.75 million.

Foundry businesses

The foundries have seen a decrease in output and profitability compared to the previous year. We saw reasonable levels of profitability in the first half of the year with strong demand during that period. As noted above, output and profitability in the second half was impacted by declining demand, culminating in the customer plant closures in the last month of the year in response to the COVID-19 pandemic.

We have been working to realise the full productivity improvements from the automation investment at the William Lee site. Whilst some advances were made during the year, we will only start to see the financial benefits of the wider restructuring of the process department when volumes increase.

We commenced work on upgrading and extending one of the moulding lines at the Brownhills foundry. Once this is complete, during the second half of the current financial year, it will provide greater reliability, efficiency, production flexibility and increased output capacity.

CNC Speedwell

I was pleased to have been able to report a return to profitability of CNC Speedwell in the first half of the year, largely as a result of management's continued improvements in the operational efficiency of the business.

The machining business continues to become more aligned with the customer base of the foundries and was therefore equally impacted by the fall in demand set out previously. With the level of investment that has been made in the business over recent years, the depreciation charge has an even greater impact when operating at lower volumes. It is not surprising then that the second half of the year produced a loss for CNC Speedwell.

We continue our programme of investment in automation in this area of the group to ensure that further operational efficiencies are achieved.

Outlook

With demand having reduced so dramatically in March 2020 and further in April 2020, a significant proportion of our workforce was placed on furlough leave under the Coronavirus Job Retention Scheme. Despite this support from the Government, the magnitude and sudden nature of the fall in output has inevitably had a significant negative impact on the results of the group at the start of the current financial year.

It is pleasing to report that output has increased from the lows of April 2020 and a number of employees have returned from furlough leave as we plan for the higher demand set out in our customer forward schedules. However, production remains significantly below pre-COVID-19 levels and the continued uncertainty regarding the economic recovery post-lockdown means that it remains incredibly difficult to predict future demand and therefore whether this initial recovery in demand will be maintained through the year.

Dividend

The group has always maintained a conservatively financed balance sheet, with prudent cash balances, so that we can weather the financial storms that arise from time to time. Our dividend policy has also been cautious with a view to the longer term. I am pleased that, despite the current uncertainties the directors are able to recommend the payment of a final dividend of 11.40 pence per share to be paid on 17 August 2020 to shareholders on the register on 17 July 2020. This, together with the interim dividend, gives a total dividend for the year of 14.88 pence per share.

With the current issues surrounding the COVID-19 pandemic, the AGM will unfortunately be a closed meeting this year and shareholders will not therefore be able to attend in person. Shareholders are strongly encouraged to vote by proxy and email questions relating to the company as set out in the Notice of Meeting on page 61.

I would like to thank our directors, local directors and all our employees for their understanding and continued commitment to the company during these very difficult times. We are confident that we will get through this period soon and continue to prosper as a company.

B. J. Cooke
Chairman

10 June 2020

Group Overview and Strategy

Group overview

Castings P.L.C. is a market leading iron casting and machining group based in the UK, supplying both the domestic and export markets.

The original foundry operation dates back to 1835 and today the group comprises of three trading businesses, employing over 1,000 people in the UK.

The group operates two iron foundries – Castings P.L.C. (Brownhills, West Midlands) and William Lee Limited (Dronfield, Derbyshire) – together with the CNC Speedwell Limited machining operation which is also based in Brownhills.

The group produces Ductile iron, SG iron, Austempered ductile iron (ADI), SiMo and Ni-resist castings up to 45kg in weight. Our four Disamatic moulding machines and three horizontal green sand moulding machines provide a foundry capacity of 70,000 tonnes per annum.

Our machining operation is invested to support the capacity requirements of the foundry customer base and also to expand general machining in alternative materials

Strategy

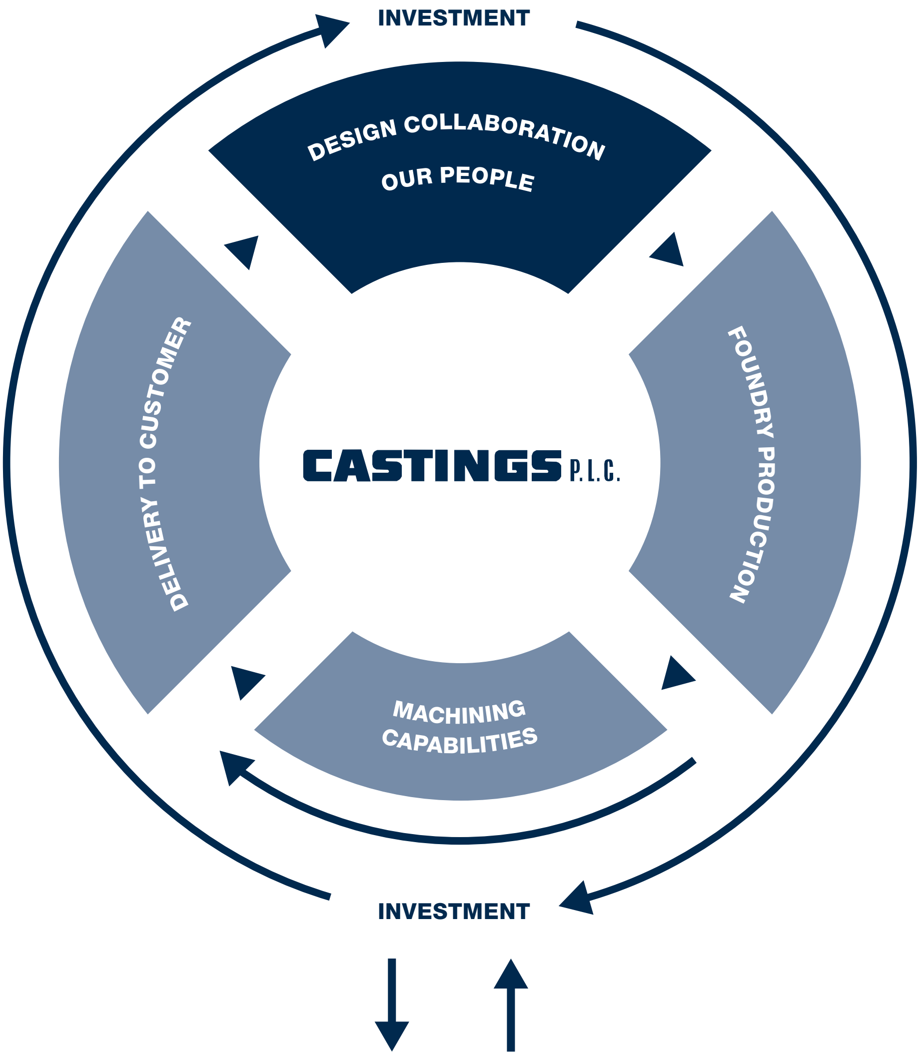
Our continued strength is largely as a result of our investment in the latest technologies and manufacturing processes. Utilising high volume equipment in a medium batch environment, we are perfectly positioned to our commercial vehicle focussed customer base in Europe and beyond.

The management team is committed to developing the business for the benefit of shareholders, employees and customers.

Our focus is to deliver long term sustainable revenues and higher than average margins through the following strategic priorities:

Reinvestment for innovation and efficiency	We invest in the latest technologies to provide our customers with innovative design and production offerings and to ensure we maximise production process efficiencies. We seek to strike a balance in the allocation of strong cash flows between reinvestment and providing attractive returns for shareholders.
Increase OEM market share	By continuing to work collaboratively with customers to develop innovative, cost-effective solutions, we strive to increase our market share within our existing core commercial vehicle customer base. With our investment in warehousing and logistics systems, we are well placed to take advantage of opportunities to bring additional products to our current OEM customers.
Strength of balance sheet	The group balance sheet is managed to ensure long-term financial stability and the ability to make efficient investment decisions to support our strategic objectives.
Investment in our people	With over 1,000 employees in the UK, our workforce are a critical element to the continued success of the group. We are committed to developing our people through targeted and balanced training across all levels whilst maintaining an eye on the future with apprenticeship programmes in all companies in the group.

Business Model



VALUE FOR STAKEHOLDERS

Customers
Flexible, agile and cost-effective supply of high-quality and diverse product range.

Long-term security of supply.

Employees
Training and investment allowing our employees to develop in a challenging and ambitious environment.

Shareholders
Maintaining competitive position affords us growth opportunities to increase returns to our shareholders.

Strong cash generation and a progressive dividend policy.

Communities and environment
We aim to contribute positively to the communities and environment in which we operate.

A recycler of steel scrap metal produced in the UK.

Design collaboration
Work closely with customers to develop cost effective solutions to meet their needs.

Use of 3D design simulation and rapid prototyping.

Our people
Committed, experienced workforce with a high degree of technical knowledge.

Foundry production
High-volume moulding equipment used in a flexible manner (zero time changeovers) to allow production of small or large volume batches.

Ability to produce a diverse range of parts.

Technical expertise, investment in flexible automation and efficient working practices ensure cost of production is kept low, whilst quality of output is very high.

Machining capability
Highly invested machine shop focussed on the prismatic machining of castings primarily for the group customer base.

Robotic feeding of machines being rolled out to aid efficiencies and quality standards.

Vertical integration of assembly processes available.

Delivery to customer
Investment in logistics systems ensures a diverse product range is managed effectively meeting strict customer delivery deadlines.

Experience in managing logistics both domestically and for the export market.

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 38 and 39. 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

Customer demand was strong during the first quarter of the financial year but started to soften during the second quarter and remained at lower levels through the second half of the year. Output was significantly impacted towards the end of March 2020 as commercial vehicle OEMs closed production facilities in the wake of COVID-19.

The foundry businesses experienced a decrease in output of 8.6% to 47,700 tonnes and a fall in external sales revenue of 6.8% to £133.6 million.

The trend of an increase in more complex, machined parts has continued in the year. Of the total output weight for the year, 55.8% related to machined castings compared to 55.6% in the previous year.

The segmental profit has decreased to £13.4 million, from £16.8 million in the previous year, which represents a profit margin of 8.9% on total segmental sales (2019 – 10.2%).

The alignment of automation in the finishing processes between the two foundry sites continued during the year, although the cost negatively impacted margins. However, with significant progress being made towards the end of the period, the businesses will be well positioned to achieve productivity gains when demand recovers post COVID-19.

Investment of £5.7 million has been made in the foundry businesses to support productivity improvements, approximately £1.9 million of which has been on automation projects.

Machining

The machining business generated total sales of £24.4 million in the year compared to £27.8 million in the previous year. Of the total revenue, 20.6% was generated from external customers compared to 25.8% in 2019.

The segmental result for the year was a loss of £0.67 million (2019 – loss of £1.34 million).

The focus on engineering and productivity improvements started to be realised and resulted in a return to profit in the first half of the year. However, the lower levels of demand in the foundry fed through to the machining business, resulting in a loss in the second half of the period.

We have invested £2.5 million during the year, which remains in line with the lower levels of the previous year, continuing management's focus on enhancing the return on the capital already invested in the machining business. This investment included £1.5 million in the roll-out of automation which will continue during the current year.

Business review and performance

Revenue

Group revenues decreased by 7.7% to £138.7 million compared to £150.2 million reported in 2019, of which 74% was exported (2019 – 76%).

The revenue from the foundry operations to external customers decreased by 6.6% to £133.6 million (2019 – £143.1 million) with the dispatch weight of castings to third-party customers decreasing by 8.6% to 47,700 tonnes (2019 – 52,200 tonnes).

Revenue from the machining operation to external customers decreased by 29.8% during the year to £5.0 million (2019 – £7.2 million).

Operating profit and segmental result

The group operating profit for the year was £12.5 million compared to £13.9 million reported in 2019, which represents a return on sales of 9.0% (2019 – 9.3%). The prior year result includes exceptional costs of £1.28 million, primarily relating to a defined benefit pension charge connected with the equalisation of guaranteed minimum pensions between men and women (as set out in note 4); an adjusted return on sales figure for 2019 would be 10.1%.

The foundry operations returned a segmental profit of £13.4 million compared to £16.8 million in 2019. This represents a decrease in segmental profit as a percentage of total segment sales to 8.9% from 10.2% in 2019.

The segmental result of the machining operation was a loss of £0.67 million in the year compared to £1.34 million in 2019.

Finance income

The level of finance income increased to £0.21 million compared to £0.13 million in 2019, reflecting higher sums on deposit and slightly higher interest rates.

Profit before income tax and exceptional items

Profit before income tax and exceptional items has decreased to £12.7 million from £15.3 million.

Taxation

The current year tax charge of £2.63 million (2019 – £3.04 million) is made up of a current tax charge of £2.18 million (2019 – £3.17 million) and a deferred tax charge of £0.45 million (2019 – credit of £0.13 million).

The effective rate of tax of 20.7% (2019 – 21.6%) is higher than the main rate of corporation tax of 19%. The main reason for this is the change in deferred tax rate applied to balances from 17% to 19%. This is a direct result of the decision to maintain the main rate of corporation tax at the higher rate.

Earnings per share

Basic earnings per share decreased 8.6% to 23.07 pence (2019 – 25.23 pence), reflecting the 9.6% decrease in profits and a lower effective tax rate compared to the previous year.

Due to the nature and magnitude of the exceptional items in the prior year, an alternative earnings per share excluding exceptional items was presented. This year's figure is broadly in line with the basic calculation at 23.05 pence per share (2019 - 28.16 pence).

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

Dividends

The directors are recommending a final dividend of 11.40 pence per share (2019 – 11.40 pence per share) to be paid on 17 August 2020 to shareholders on the register on 17 July 2020. This would give a total ordinary distribution for the year of 14.88 pence per share (2019 – 14.78 pence per share).

Cash flow

The group generated cash from operating activities of £27.2 million compared to £18.2 million in 2019. When compared to 2019, the decrease in operating profit was offset by the greater reduction in working capital. The increase in inventories of £2.0 million and decrease in payables of £4.1 million was offset by a decrease in receivables of £11.7 million. The movement in receivables is a result of the lower demand in the final quarter of the year when compared to the rising Brexit impacted demand in the same quarter of the prior year.

Corporation tax payments during the year totalled £4.4 million compared to £2.7 million in 2019. The increase reflects a change in the timing of quarterly payments such that all are now paid in the financial year to which they relate. As a result, the current year had an outflow of two payments relating to the prior year as well as all four quarterly payments relating to the current year.

Capital expenditure during the year amounted to £8.2 million (2019 – £5.3 million). This included investment of £3.4 million in automation as well as other productivity enhancements. The charge for depreciation was £8.9 million compared to £8.3 million in 2019.

The other current interest-bearing deposit (a deposit with a maturity of more than three months at inception) of £5.0 million taken out in the previous year matured and was placed on a shorter term deposit and is therefore treated as a cash and cash equivalent inflow.

Repayments of £3.5 million (2019 – £4.5 million) were received from the final salary pension schemes during the year and advances were made to the schemes of £2.8 million (2019 – £2.4 million). The higher level of advances reflects an increase in value of deferred members transferring out of the schemes.

Dividends paid to shareholders were £13.0 million in the year (2019 - £6.3 million) which includes £6.5 million in respect of a supplementary dividend declared in respect of the year ended 31 March 2019.

The net cash and cash equivalents movement for the year was an increase of £7.6 million (2019 – £6.6 million).

At 31 March 2020, the total cash and deposits position was £33.4 million (2019 – £30.8 million).

Pensions

The pension valuation showed a decrease in the surplus, on an IAS 19 (Revised) basis, to £11.2 million compared to £24.4 million in the previous year. The main reason for the reduction being the change in asset allocation during the year.

On 24 March 2020, the Trustees of the schemes completed a bulk annuity buy-in which secured an insurance asset that fully matches, subject to final adjustment of the bulk annuity pricing, the remaining pension liabilities of the schemes. The buy-in covers the investment, longevity, interest rate and inflation risks in respect of the schemes and therefore substantially reduces the pension risk to the company.

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

Balance sheet

Net assets at 31 March 2020 were £131.7 million (2019 – £134.4 million). Other than the total comprehensive income for the year of £10.3 million, the only movement relates to the dividend payment of £13.0 million.

Non-current assets have decreased to £71.1 million (2019 – £71.8 million) primarily as a result of investment in property, plant and equipment during the year being at a level slightly below the depreciation charge.

Current assets have decreased to £84.6 million (2019 – £92.1 million). The level of inventories and total cash balances have increased compared to 2019 but this has been offset by the reduction in receivables. The current tax balance is an asset since the payments made during the year, based on estimated profits, were in excess of the year end calculated tax cost.

Total liabilities have decreased to £24.0 million (2019 – £29.5 million), largely as a result of a decrease in trade payables along with the current tax balance moving to be an asset this year.

Principal Risks and Uncertainties

Risk

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

The group maintains a range of insurance policies against major identified insurable risks, including (but not limited to) those related to business interruption, damage to property and equipment, damage to stocks, public and product liability and employers' liability.

The directors regularly assess the principal risks facing the entity. Whilst it is difficult to completely quantify every material risk that the group faces, below is a summary of those risks that the directors believe are most significant to the group's business and could have a material impact on future performance, causing it to differ materially from expected or historic achieved results. Information is also provided as to how the risks are, where possible, being managed or mitigated.

COVID-19

As a result of the COVID-19 pandemic, the group has seen significant disruption in its operations. Our commercial vehicle customers, which comprise 69% of our revenue base, reported plant closures for three to five weeks covering March and April 2020. However, all OEMs have been operating since mid-April 2020, albeit at lower levels of demand compared to the period before the pandemic.

Operationally, the group maintained production at all locations commensurate with the level of demand. A significant proportion of the workforce was placed on furlough leave under the Coronavirus Job Retention Scheme with others working remotely or remaining onsite and operating under strict social distancing guidelines.

Other than lower demand, which remains an on-going risk, the group has continued to operate in the usual manner and the normal controls have been maintained.

Operational and commercial

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

Market competition

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

Customer concentration, programme dependencies and relationships

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

European market exposure

The negotiations on the UK's exit and future relationship with the European Union remain ongoing and so, as a group with over 70% of sales exported to Europe, this represents a potential risk. The risk cannot be addressed until the final position is known but, during this period of uncertainty, we maintain a regular dialogue with our key suppliers and customers to ensure the risk in disruption to supply is mitigated.

Product quality and liability

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

Foreign exchange

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

Equipment

The group operates a number of specialist pieces of equipment, including foundry furnaces, moulding lines and CNC milling machines which, due to manufacturing lead times, would be difficult to replace sufficiently quickly to prevent major interruption and possible loss of business in the event of unforeseen failure. Whilst this risk cannot be entirely mitigated without uneconomic duplication of all key equipment, all key equipment is maintained to a high standard and inventories of strategic equipment spares maintained. The facilities at Brownhills and Dronfield have similar equipment and work can be transferred from one location to another very quickly.

Suppliers

Although the group takes care to ensure alternative sources of supply remain available for materials or services on which the group's businesses are critically dependent, this is not always possible to guarantee without risk of short-term business disruption, additional costs and potential damage to relationships with key customers.

Commodity and energy pricing

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

In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses.

Energy contracts are locked in for at least 12 months, although renegotiation risks remain at contract maturity dates but again this is mitigated through the application of price adjustment clauses. At 31 March 2020, the group has electricity contracts in place until 30 September 2022.

Information technology and systems reliability

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

Short-term deposits

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

Environmental

The group's businesses are subject to compliance with many different laws and requirements in the UK, Europe, North America and elsewhere. Great care is made to act responsibly towards the environment to achieve compliance with all relevant laws and to establish a standard above the minimum level required. Whilst the group's manufacturing processes are not generally considered to provide a high risk of harm to the environment, a major control failure leading to environmental harm could give rise to a material financial liability as well as significant harm to the reputation of our business. Further information is set out on page 10.

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 2020 the schemes were in surplus on an IAS 19 (Revised) basis. The potential risks and uncertainties resulting from the scheme have been mitigated by the purchase of an annuity buy-in asset. The schemes were closed to future accruals from 6 April 2009, which only leaves past service liabilities to be funded.

Further details are set out in note 6 to the financial statements.

Viability Statement

In conducting the review of the group's long-term prospects, the directors considered economic and market conditions in conjunction with the strategy and the principal risks facing the group (as set out in the Strategic Report on pages 2 to 11). 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 review has been performed against the backdrop of lower levels of demand following the COVID-19 pandemic.

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 2020. This longer-term assessment process supports the board's statements on both viability, as set out below, and going concern (on page 18).

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.

The directors' viability assessment included a review of three year profit and cash flow estimates, alongside the group's current position, and 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 2020, with cash and deposits of £33.4 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 2023.

Corporate Social Responsibility

Non-financial information statement

We comply with the Non Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Information regarding our policies on environmental matters, employees, social matters, human rights and anti corruption and anti bribery matters is disclosed on pages 10 and 11.

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.

All group companies are ISO 14001:2015 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.

Energy consumption and Greenhouse gas emissions

During the year, the group consumed 127.97 GWh of electricity (Scope 2) and 14.91 GWh of gas (Scope 1). There were no other material emissions as a result of the company's activities.

Our gross greenhouse gas (GHG) emissions for the year ended 31 March 2020 were 62,698 tonnes of CO_2 (2019 – 67,820 tonnes of CO_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.

Energy-saving initiatives include considering methods of recycling otherwise waste by-products of our production processes as well as a continuous programme of switching to more efficient LED lighting.

For the foundry businesses, the most appropriate metric to measure the level of GHG emissions is per production tonne which has increased to 1.05 (2019 – 1.01) tonnes/production tonne. The metric used for the machining operation is emissions per thousand pounds of machining revenue, emissions having decreased to 0.20 (2019 – 0.28) tonnes/£000.

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 diversity and recruitment 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 diversity and equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation nor political bias. We have made a commitment to consider applicants from a wide range of educational backgrounds and have an active apprenticeship programme.

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 2020 was as follows:

	Male	Female
Non-executive directors	3	–
Executive directors	2	–
Senior managers	32	3
Other employees	961	123
	998	126

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.

A number of actions were taken at the end of the year to ensure the health and safety of our employees during the COVID-19 pandemic. These included remote working, shift pattern change, social distancing and additional protective equipment where such distancing is not practicable.

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.

Responsible business

We are committed to conducting business with the utmost integrity and in accordance with the Bribery Act 2010 and have a clear Anti-Bribery and Corruption Policy in place, which is available on the company website.

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.

S172(1) Statement

The following disclosures describe how the directors have had regard to the matters set out in section 172(1)(a) to (f), relating to the directors' duty to promote the success of the company, and forms the directors' statement required under section 414CZA(1) of the Companies Act 2006.

Stakeholder engagement

Our success depends on the relationships we have with the people, communities and organisations that have an interest in our business and may be impacted by the decisions we take. The key stakeholders are set out in the business model on page 5 and the manner of our engagement with them is described below.

Customers

Dedicated sales, technical and production teams engage with customers to foster a collaborative working relationship for the long term. Investment in the latest production technologies ensures we provide the quality, efficiency and on-time delivery they require.

Employees

An important part of the culture of the group is our open-door style of management. All senior personnel are visible throughout the business on a daily basis engaging with the workforce across all levels; it is important to both the company and our employees that they have that chance to share their opinions. In addition, regular function-specific committee meetings take place as well as regular information sharing to the whole workforce.

Shareholders

We engage with our shareholders through a number of channels which include the annual report, AGM, investor site visits, one-to-one meetings and telephone conversations. They are interested in the strategy and its execution, generating strong returns and maintaining financial discipline. We report and discuss these areas on a regular basis.

Communities and environment

As a significant employer for each area where we are based, we support local employment and apprenticeship schemes. We seek to engage and collaborate with local educational institutes where possible and increase the overall visibility of the group. The local communities are keen to ensure we are supporting and investing in local jobs, operating safely and ethically as well as reducing our environmental impact. We provide direct employment to over 1,000 people, invest in our facilities to provide a safe workplace and consider opportunities to ensure a more sustainable strategy.

Suppliers

We seek to improve our business relationships with our key suppliers to protect the operations of the company. We engage with suppliers to ensure they comply with our code of conduct to maintain high standards of supply.

Principal decisions taken during the year

Supplementary dividend

The board paid a supplementary dividend of 15 pence per share as set out in note 9. During our engagement with investors, the level of cash maintained by the company was discussed and the board decided to exercise their discretion and return an additional £6.5 million to shareholders. In reaching this decision the board considered the company's solvency at the time and the impact on the creditors of the company. The board concluded that the payment of the dividend had no material effect on the company's ongoing business and also that the company had sufficient distributable reserves to pay the dividend.

Pension buy-in

Managing the financial risk to the company is an important consideration for all our stakeholders and the defined benefit pension arrangements form a part of that. Recognising the strong funding position of the pension schemes, in collaboration with the trustees of the scheme, a bulk annuity buy-in was completed in March 2020 as set out in note 6. This decision reduced the risk for both the company and the current (and future) pensioners whilst having no appreciable negative impact on the company's creditors.

Remuneration policy

The remuneration committee reviewed all aspects of the remuneration policy including, in particular, introducing a long term share plan for executive directors as set out on pages 20 to 22. This has been a regular area of discussion in recent years and a resolution has been proposed for approval at the AGM.

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

A. Vicary
Chief Executive Officer

10 June 2020

Board of Directors

Executive directors

Adam Vicary
Chief Executive Officer
Having obtained a degree in metallurgy and a business masters, Adam has worked in the foundry industry for all of his career and joined the company in September 2010 as joint managing director. He was appointed to the main board in April 2012, becoming chief executive on 31 March 2017.

Steve Mant
Finance Director
Steve is a fellow of the ICAEW and joined the company in June 2010. He 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.

Non-executive directors

Brian Cooke
Chairman
Brian 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.

Alec Jones
Senior Independent Non-executive Director
Alec 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.

Andrew Eastgate
Independent Non-executive Director
Andrew was appointed a director on 1 September 2018 and is an independent director. He is a solicitor and was a partner in Pinsents and is currently chairman of Epwin Group plc. Until 31 May 2019 he was non-executive director of Headlam Group plc and was chairman of the remuneration committee. Andrew is chairman of the remuneration and nomination committees and is also a member of the audit and risk committee.

Directors' Report

The directors submit the Annual Report and audited consolidated financial statements of Castings P.L.C. for the year ended 31 March 2020.

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 11.

Financial results and dividend

The profit for the year after taxation was £10,066,000 (2019 – £11,010,000), full details of which are set out in the consolidated statement of comprehensive income on page 31.

An interim dividend of 3.48 pence per share was paid in January 2020 in respect of the year ended 31 March 2020.

The directors recommend a final dividend of 11.40 pence per share payable on 17 August 2020 to shareholders on the register on 17 July 2020, making a total ordinary distribution of 14.88 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2019 – 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, Link Asset Services, 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 but none have been purchased during the year.

Directors

The directors of the company are listed on page 13 and their interests in the ordinary share capital at the beginning and end of the year were:

Beneficial holdings

	2020 Total	2019 Total
B. J. Cooke	**1,964,636**	1,964,636
A. Vicary	**30,000**	30,000
S. J. Mant	**5,000**	5,000
A. K. Eastgate	**1,000**	1,000
A. N. Jones	**—**	—

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

In accordance with Provision 18 of the UK Corporate Governance Code all directors 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 unexpired period of the contracts of service for A. Vicary and S. J. Mant is one year. B. J. Cooke, A. N. Jones and A. K. Eastgate 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 a director and the board has the power to appoint any person to be a director, but any director so appointed will be subject to election at the next Annual General Meeting.

There is no minimum shareholding requirement for directors.

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 contract of the business.

Substantial shareholdings

As at 10 June 2020, the company had been notified, in accordance with DTR Rule 5, of the following disclosable interests, including directors, in its voting rights:

	Number	%
Ruffer LLP	8,117,492	18.6
Aberforth Partners' Clients	5,461,428	12.5
Threadneedle Asset Management Limited	2,191,674	5.0
B. J. Cooke	1,964,636	4.5
Rathbone Investment Management Ltd	1,600,000	3.7

Special business

There will be the following items of special business at the Annual General Meeting.

Directors' authority to allot shares

Approval will be sought to renew the authority given to the directors to allot shares in the company in accordance with section 551 of the Companies Act 2006. The present authority was granted on 22 August 2019 and under the Companies Act must be renewed at least every five years. The renewed authority would therefore expire on 12 August 2025, but will be put to annual shareholder approval.

Authority will also be sought from shareholders to allow the directors to allot equity securities for cash as if section 561 of the Act (which gives shareholders certain pre-emption rights on the issue of shares) did not apply. Such allotments being up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital. The renewed authority would expire on 12 August 2021.

In any three year period no more than 7.5% of the issued share capital will be issued on a pre-emptive basis.

The proposed resolutions are set out as items 12 and 13 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2019, 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 2020. The authority is sought by way of a special resolution, details of which are also included in the Notice of Meeting as item 14.

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.

Restricted Share Plan

An ordinary resolution will be proposed to approve the new Castings 2020 Restricted Share Plan which forms part of the new Directors' Remuneration Policy set out on page 20. A description of the principal terms of the plan is set out in the note 2 to the Notice of Meeting on page 63.

Stakeholder engagement

The key stakeholders are set out in the Business Model on page 5. The engagement and decisions taken during the year are set out in the Section 172(1) statement on page 12.

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 10 and 11 and the S172(1) statement on page 12.

Health and safety

As required by legislation, the group's policy for securing the health, safety and welfare at work of all employees has been brought to their notice. In addition, safety committees hold regular meetings. Further details of health and safety are given under the Corporate Social Responsibility section on pages 10 and 11.

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 11.

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 auditor

During the year, PricewaterhouseCoopers LLP resigned as auditors and Mazars 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 17 and 18.

Greenhouse gas emissions

Details of the group's greenhouse gas emissions are dealt with on page 10.

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 Financial Reporting 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.

On behalf of the board

B. J. Cooke
Chairman

10 June 2020

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 2018 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 two 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.

The Chairman is a non-executive director, however, since he has served for more than nine years he is not considered to be independent under the UK Corporate Governance Code. However, the board consider his knowledge of the industry and advice to continue to be invaluable to the group and that this outweighs concerns as to his independence from the company.

The directors maintain their knowledge through a combination of technical and market bulletins and attendance at seminars. The company secretary has responsibility for bringing new regulatory developments to the attention of the board.

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 19.

Remuneration committee
Further details are set out in the Directors' Remuneration Report on page 20.

Nomination committee
This committee comprises the two non-executive directors and is chaired by A. K. Eastgate and met once during the year. The committee takes an active role in considering, with the wider board, the overall culture of the company. It is also involved in ensuring the company considers equality, inclusion and diversity in senior management positions.

The terms of reference for the three committees are available on the company's website www.castings.plc.uk.

Effectiveness

The board undertakes an annual formal and rigorous assessment of its own performance, its committees and the directors. 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.

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 year.

Attendance at board and board committee meetings during the year is detailed in the table shown below (including attendances when not formally a member of a specific committee due to corporate governance guidelines):

	Board		Audit and risk committee		Remuneration committee	
Director	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended
B. J. Cooke	8	8	—	4	—	2
A. Vicary	8	8	—	4	—	—
S. J. Mant	8	8	—	4	—	—
A. N. Jones	8	8	4	4	2	2
A. K. Eastgate	8	8	4	4	2	2

Corporate Governance

continued

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 senior independent director and other non-executive director are also available to meet shareholders if requested. The Annual General Meeting is used to communicate with private and institutional investors.

Internal control

The board is ultimately responsible for the group's system of internal controls, including internal financial control, and for monitoring its effectiveness. There is a continuous process for identifying, evaluating and managing the significant risks faced by the group which is regularly reviewed and has been in place throughout the year under review and up to the date of approval of the Annual Report and 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 they have established procedures necessary to implement the internal control guidance for directors such that they comply with the 2018 UK Corporate Governance Code for the accounting year ended on 31 March 2020.

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 year 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 9, 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 including an assessment of impacts of COVID-19 on future demand 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 2018 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 2020 the company complied with the 2018 UK Corporate Governance Code other than the following points:

- Whilst there were three non-executive directors during the year, one has served for more than nine years and was not independent on appointment. However, the board recognises the value he brings and believes it is also important that shareholders have the reassurance of other 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

10 June 2020

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 two non-executive directors and is chaired by A. N. Jones. The chairman, 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 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:

- 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 including, but not limited to, the risks associated to COVID-19.

Internal control

During the year, the committee reviewed the effectiveness of the group's system of internal controls and risk management and the disclosures of the results in this annual report.

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 2020 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.

PricewaterhouseCoopers LLP resigned as auditors during the year and, following a competitive tender process, Mazars LLP were appointed to fill a 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 UK Corporate Governance Code.

A. N. Jones
Chairman of the Audit and Risk Committee

10 June 2020

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 2020, which includes the Directors' Remuneration Policy which is intended to take effect from 14 August 2020. Our previous policy was adopted in 2017 and, as we are required to put the policy to shareholders every three years, a resolution to approve the new policy will be put to shareholders at the forthcoming AGM.

The aim of the remuneration policy is to produce an outcome which is sufficiently competitive to retain, motivate and, where necessary, recruit executive directors and senior management whilst supporting the business objectives of the group. The remuneration structure is straightforward and transparent, striking an appropriate balance between fixed and performance-related remuneration.

When determining the application of the remuneration policy, the committee considered clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the 2018 UK Corporate Governance Code. We operate simple variable pay arrangements which are aligned with the group's strategy and interests of all stakeholders.

During the year, the remuneration committee reviewed all aspects of its remuneration policy including, in particular, the possibility of introducing a long term share plan for executive directors with the aim of providing an additional incentive and mechanism to enable them to build and hold a shareholding in the company, thus further aligning them with shareholders.

We looked at various types of schemes which are commonly adopted by listed companies but wished to avoid those which are too complicated and are subject to the vagaries of share price movement. Accordingly, we have chosen to adopt, subject to shareholder approval, a simple and relatively modest form of share plan, details of the which are set out in the directors' remuneration policy below.

In May 2020 we wrote to our largest institutional shareholders outlining our proposals and inviting feedback. The feedback received was supportive.

We were also involved in the review of the level of remuneration of the senior management across the group. This extended down to the first layer of management below the executive directors at each business in the group.

Except for the proposed adoption of the share plan, the remuneration policy is largely unchanged as the committee is of the opinion that it remains fit for purpose and in the best interests of the company and its stakeholders.

Resolutions approving the new share plan and remuneration policy will be proposed at the AGM.

By order of the board

A. K. Eastgate
Chairman of the Remuneration Committee

10 June 2020

Remuneration committee

The remuneration committee is chaired by A. K. Eastgate and comprises the two non-executive directors. The group Chairman, whilst not a formal member of the committee, is also invited to attend meetings.

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.

Advice has been provided by external independent advisers as part of the review performed during the year at a cost of £5,700.

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 and the directors' remuneration policy at the respective AGMs held on 22 August 2019 and 15 August 2017 are 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 (voted on at AGM on 22 August 2019)	31,291,371 99.97%	10,721 0.03%	31,302,092	600
Directors' remuneration policy (voted on at AGM on 15 August 2017)	29,508,165 97.19%	852,545 2.81%	30,360,710	9,155

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 sets out the Directors' Remuneration Policy which will be proposed at the company's AGM and, if approved, will apply for three years from the date of approval

Remuneration element	Purpose and link to strategy	Operation	Maximum potential value
Base salary	To provide competitive fixed remuneration in order 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 and the company and the rates of salary increase across the group.	Whilst no absolute maximum is prescribed, increases will take account of other salary increases across the group. However, in certain circumstances, including changing roles and responsibilities, market levels and individual and group performance, the committee will have discretion to award larger increases.
Benefits	To provide broadly market competitive benefits as part of the total remuneration package.	Currently include the provision of car benefit, private healthcare, life assurance and income protection. Benefits are reviewed annually taking into account market practice. The committee does have discretion to alter benefits.	Whilst the committee has not set an absolute maximum on the level of benefits, these are set at a level that the committee considers appropriate against the market.
Annual bonus	To reward contribution to the performance of the group, aligned to shareholder interests.	Bonus is based on 1% of profit before tax and exceptional items in excess of £10 million, subject to variation at the discretion of the committee. The committee does have discretion to pay an annual bonus (not to exceed 50% of base salary) if, in its opinion, the bonus otherwise payable does not adequately recognise the performance of the individual. It is anticipated that this discretion would only be used in unusual circumstances.	The annual bonus cannot exceed 125% of base salary .

Directors' Remuneration Report

continued

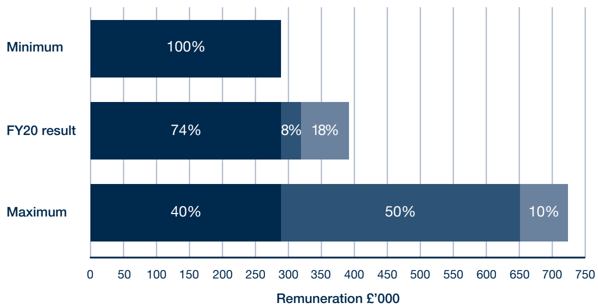
Remuneration element	Purpose and link to strategy	Operation	Maximum potential value
Pension	To provide competitive retirement benefits as part of the overall remuneration package.	Executive Directors receive 7% of base salary as contributions to personal pension plans or a cash equivalent.	7% of base salary
Share plan	To provide a mechanism to enable Executive Directors to build a shareholding in the Company with a view to providing a further incentive and alignment with the interests of shareholders.	Awards will be in the form of nil-cost options and will normally vest three years after the date of grant, subject to continued employment with the Group. Awards will normally be subject to a two year holding period after vesting and may be granted on the basis that the participant shall be entitled to an additional benefit (in cash or shares) in respect of dividends paid over the subsequent holding period. Awards are subject to malus and clawback provisions covering such matters as material misstatement of financial results, material irregularity and misconduct.	Awards will normally be granted to a value of 25% of base salary, though the committee has the discretion to increase this to 50% of base salary in exceptional circumstances.

Scenario charts

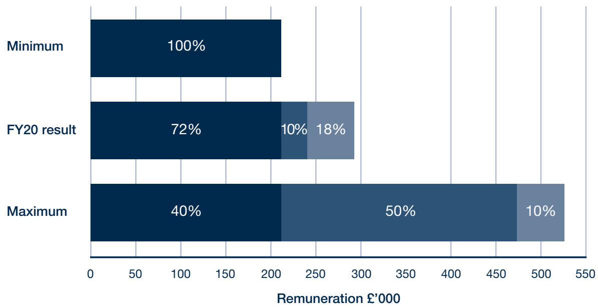
The following charts set out the potential total remuneration payments for the year ended 31 March 2021 under our remuneration policy based on the following assumptions:

- Minimum – base salary, no bonus payment and no share option award.
- Prior year – base salary, bonus based on profit as for year ended 31 March 2020 and 25% of base salary as share option award.
- Maximum – base salary, bonus of 125% of base salary and 25% of base salary as share option award.

Chief Executive Officer



Finance Director



Salary Bonus Share option award

Recruitment policy

In the event of the recruitment of a new executive director, the remuneration package would reflect the policy set out above so far as is possible. The overall maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 175% of salary.

The committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the committee will take account of relevant factors, including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangement forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above.

Fees payable on the appointment of a chairman or non-executive director would be in line with the fee policy in place at the time of appointment.

Non-executive director remuneration

The fees paid to non-executive directors are set by reference to current levels in the market. Non-executive directors do not receive benefits (except for the Chairman) or participate in the company's bonus schemes, nor are they eligible to join a company pension scheme.

Directors' contracts

The Executive Directors entered into new service contracts on 4 June 2020. The contracts are terminable on twelve months' notice, which is considered by the committee to be appropriate, and do not contain any provision for predetermined compensation in the event of termination. Any payments for loss of office would be determined at the time taking into account all the circumstances. Non-executive directors do not have a contract of service.

Annual Report on Directors' Remuneration

Directors' remuneration during the year (audited)

The directors' remuneration for the year ended 31 March 2020 is set out in the table below.

	Salary/fees		Benefits		Performance-related bonus		Pension contributions		Total remuneration	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
B. J. Cooke	**85**	85	**8**	7	**—**	—	**—**	—	**93**	92
A. Vicary	**290**	277	**13**	12	**30**	57	**12**	11	**345**	357
S. J. Mant	**211**	201	**12**	12	**30**	57	**12**	11	**265**	281
A. N. Jones	**39**	37	**—**	—	**—**	—	**—**	—	**39**	37
A. K. Eastgate[1]	**37**	22	**—**	—	**—**	—	**—**	—	**37**	22
G. B. Wainwright[2]	**—**	39	**—**	—	**—**	—	**—**	—	**—**	39
	662	661	**33**	31	**60**	114	**24**	22	**779**	828

1 A. K Eastgate was appointed on 1 September 2018.

2 G. B. Wainwright retired on 31 March 2019.

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.

	2020 £000	2019 £000	Change £000	Change %
Remuneration of all employees	**42,214**	43,518	(1,304)	-3.0%
Dividends declared to shareholders (excluding supplementary dividend)	**6,492**	6,449	43	0.7%
Dividends declared to shareholders (including supplementary dividend)	**6,492**	12,994	(6,502)	-50.0%

Chief Executive Officer remuneration

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

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Performance-related bonus	**30**	57	54	61	100
Total remuneration	**345**	357	341	340	372

The total remuneration (including performance bonus) paid to the chief executive officer in the current year represents a decrease of 3.4% compared to the prior year. The corresponding decrease in average total pay to all employees in the same year is, on average, 3.5% due to lower demand in the year resulting in lower overtime and production bonuses being earned.

Chief Executive Officer pay ratio

The table below shows the Chief Executive Officer's pay ratio at 25th, median and 75th percentile of our employees as for the year to 31 March 2020. The ratios have been determined using Option A of The Companies (Miscellaneous Reporting) Regulations 2018.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Ratio of Chief Executive Officer pay	13.8	10.6	8.8

Directors' Remuneration Report

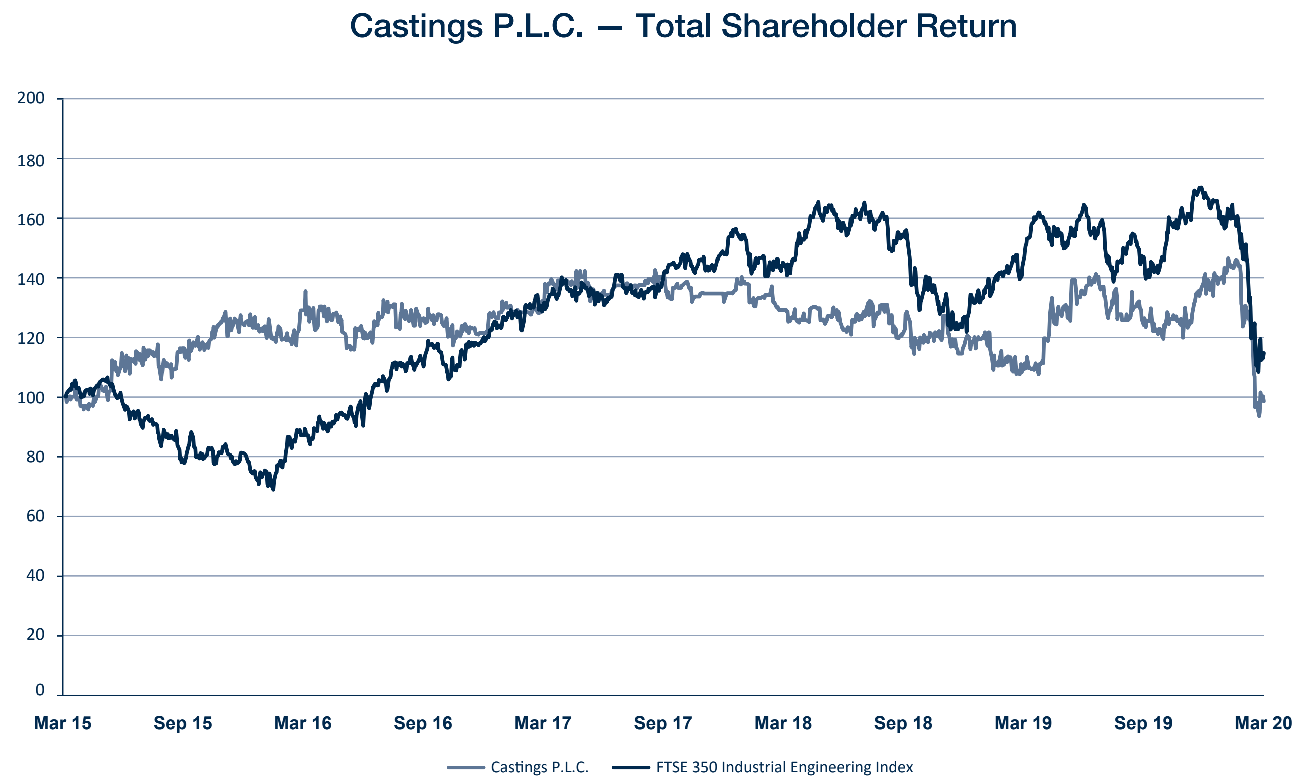
continued

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 14.

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.



Statement of Directors' Responsibilities in Respect of the Financial Statements

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 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 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 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.

Directors' confirmations

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

Each of the directors, whose names and functions are listed in Board of Directors on page 13 confirm that, to the best of their knowledge:

- 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;
- 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; 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.

Opinion

We have audited the financial statements of Castings Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report (set out on page 8) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on page 8) in the annual report 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;
- the directors' statement (set out on page 9) in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in repairing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation (set out on page 9) in the annual report 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

The risk	Our response
Revenue Recognition The group's and the parent company's accounting policy for revenue recognition is set out in the accounting policy notes on pages 36 and 55 respectively. Revenue is material for the group and the parent company and represents the largest figure in the Consolidated Statement of Comprehensive Income. An error in this balance could significantly affect a user's interpretation of the financial statements. As a result, we identified revenue recognition, and in particular cut-off (where revenue may be manipulated close to the year end to record revenue in the incorrect financial period) as a key audit matter.	Our audit procedures included, but were not limited to, the following: • Reviewing key controls relating to revenue recognition and performing a walkthrough to evaluate their design and implementation; • Reviewing the contract terms for a selection of customers to assess whether revenue was recognised in line with the agreed terms; and • Selecting a sample of transactions close to the year-end and verifying that they had been posted to the correct financial period. **Key observations** Based on the procedures performed, we did not identify any material misstatements in relation to revenue recognition.
Impact of the outbreak of COVID-19 on the financial statements As at the balance sheet date there was already a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 is significant and is causing widespread disruption to normal patterns of daily life, including in the UK and the EU. The directors' consideration of the impact on the financial statements are disclosed in the Strategic Report on page 8, the viability statement on page 9 and the going concern assessment on page 18. While the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate	We assessed the directors' conclusion that the going concern basis for preparation of the financial statements is appropriate. We considered how the business operations of the group and of the parent company might be impacted by the disruption. In forming our conclusions over going concern, we evaluated how management's going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed management's going concern assessment including COVID-19 implications based on a range of stressed scenarios including a worst case scenario as approved by the Audit Committee. We made enquiries of management to understand the completeness of the criteria taken into account and implication of those criteria when assessing the 'worst case scenario' on the group's and the parent company's forecast financial position and performance; • We evaluated the key assumptions in the worst case forecast and considered whether these appeared reasonable; • We examined the available working capital under the revised monthly cash flow forecasts and evaluated whether the directors' conclusion that sufficient working capital remained in all but the most remote of events was reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties and going concern. **Key observations** Our conclusions on going concern are set out above.

Our application of 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:

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

continued

Overall materiality	£762k
How we determined it	Materiality has been determined with reference to a benchmark of profit before tax, of which it represents 6%
Rationale for benchmark applied	We used profit before tax to calculate our materiality as, in our view, this is the most relevant measure of the underlying financial performance of the group
Performance materiality	£495k On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was approximately 65% of our financial statement materiality

We agreed with the Audit Committee that we would report to the Board all audit differences in excess of £23k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified during the course of assessing the overall presentation of the financial statements.

Audit work on subsidiary entities for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on individual statutory performance materiality which is lower than the consolidated materiality set out above. The performance materiality set for each subsidiary is based on the relative scale and risk of the subsidiary to the group as a whole and our assessment of the risk of misstatement at subsidiary level. In the current period, the range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for group audit purposes, was between £401k and £682k, being all below group financial statement materiality.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the group and the parent company, their environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, the structure of the group, and considered the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the group's and the parent company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any “Key audit matters” relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under “Key audit matters” within this report.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, all trading entities within the group were subject to full scope audit and was performed by the group audit team.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** (set out on page 16) – the statement given by the directors that they consider 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’s performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** (set out on page 19) – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors’ statement of compliance with the UK Corporate Governance Code** (set out on page 17) – the parts of the directors’ statement required under the Listing Rules relating to the parent company’s compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

- 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors’ Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

continued

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 8 January 2020 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is one year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee

Use of the audit report

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

Louis Burns (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT
10 June 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	Notes	2020 Before exceptional items £000	2020 Exceptional items (note 4) £000	2020 Total £000	2019 Before exceptional items £000	2019 Exceptional items (note 4) £000	2019 Total £000
Revenue	2	**138,667**	**–**	**138,667**	150,236	–	150,236
Cost of sales		**(109,186)**	**–**	**(109,186)**	(118,129)	–	(118,129)
Gross profit		**29,481**	**–**	**29,481**	32,107	–	32,107
Distribution costs		**(2,510)**	**–**	**(2,510)**	(2,794)	–	(2,794)
Administrative expenses		**(14,487)**	**10**	**(14,477)**	(14,116)	(1,275)	(15,391)
Profit from operations	3	**12,484**	**10**	**12,494**	15,197	(1,275)	13,922
Finance income	7	**206**	**–**	**206**	128	–	128
Profit before income tax		**12,690**	**10**	**12,700**	15,325	(1,275)	14,050
Income tax expense	8	**(2,634)**	**–**	**(2,634)**	(3,040)	–	(3,040)
Profit for the year attributable to equity holders of the parent company		**10,056**	**10**	**10,066**	12,285	(1,275)	11,010
Profit for the year attributable to equity holders of the parent company				**10,066**			11,010
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			**258**			237
Defined benefit pension schemes GMP equalisation charge	6			**–**			1,290
				258			1,527
Items that may be reclassified subsequently to profit and loss:							
Change in fair value of available-for-sale financial assets				**(22)**			44
Tax effect of items that may be reclassified				**4**			(7)
				(18)			37
Other comprehensive income for the year (net of tax)				**240**			1,564
Total comprehensive income for the year attributable to the equity holders of the parent company				**10,306**			12,574
Earnings per share attributable to the equity holders of the parent company							
Basic and diluted	10			**23.07p**			25.23p
Basic and diluted before exceptional items	10	**23.05p**			28.16p		

Notes to the financial statements are on pages 35 to 51.

Consolidated Balance Sheet

as at 31 March 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**70,693**	71,438
Financial assets	12	**358**	380
		71,051	71,818
Current assets			
Inventories	13	**21,175**	19,164
Trade and other receivables	14	**28,661**	41,121
Current tax asset		**332**	—
Other current interest-bearing deposits	19	**—**	5,000
Cash and cash equivalents		**33,401**	25,771
		83,569	91,056
Assets classified as held for sale		**1,060**	1,060
		84,629	92,116
Total assets		**155,680**	163,934
LIABILITIES			
Current liabilities			
Trade and other payables	15	**20,092**	24,222
Current tax liabilities		**—**	1,842
		20,092	26,064
Non-current liabilities			
Deferred tax liabilities	16	**3,930**	3,481
Total liabilities		**24,022**	29,545
Net assets		**131,658**	134,389
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		**126,408**	129,139
Total equity		**131,658**	134,389

The financial statements on pages 31 to 51 were approved and authorised for issue by the board of directors on 10 June 2020, and were signed on its behalf by:

B. J. Cooke
Chairman

S. J. Mant
Finance Director

Notes to the financial statements are on pages 35 to 51.

Company registration number - 91580.

Consolidated Cash Flow Statement

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Profit before income tax		**12,700**	14,050
Adjustments for:			
Depreciation	11	**8,903**	8,296
Profit on disposal of property, plant and equipment	3	**(40)**	(160)
Finance income	7	**(206)**	(128)
Pension administrative costs	6	**258**	237
Pension GMP equalisation charge	6	**—**	1,290
Increase in inventories		**(2,011)**	(2,880)
Decrease/(increase) in receivables		**11,713**	(4,449)
(Decrease)/increase in payables		**(4,130)**	1,980
Cash generated from operating activities		**27,187**	18,236
Tax paid		**(4,355)**	(2,707)
Interest received	7	**186**	108
Net cash generated from operating activities		**23,018**	15,637
Cash flows from investing activities			
Dividends received from listed investments	7	**20**	20
Purchase of property, plant and equipment		**(8,158)**	(4,858)
Proceeds from disposal of property, plant and equipment		**40**	160
Transfer from/(to) other current interest-bearing deposits		**5,000**	(100)
Repayments from pension schemes	6	**3,525**	4,455
Advances to the pension schemes	6	**(2,778)**	(2,390)
Net cash used in investing activities		**(2,351)**	(2,713)
Cash flow from financing activities			
Dividends paid to shareholders	9	**(13,037)**	(6,327)
Net cash used in financing activities		**(13,037)**	(6,327)
Net increase in cash and cash equivalents		**7,630**	6,597
Cash and cash equivalents at beginning of year		**25,771**	19,174
Cash and cash equivalents at end of year	19	**33,401**	25,771
Cash and cash equivalents:			
Short-term deposits		**28,610**	19,828
Cash available on demand		**4,791**	5,943
		33,401	25,771

Notes to the financial statements are on pages 35 to 51.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Equity attributable to equity holders of the parent				
	Share capital[a)] £000	**Share premium[b)] £000**	**Other reserve[c)] £000**	**Retained earnings[d)] £000**	**Total equity £000**
At 1 April 2019	**4,363**	**874**	**13**	**129,139**	**134,389**
Profit for the year	—	—	—	**10,066**	**10,066**
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	**258**	**258**
Change in fair value of available for sale assets	—	—	—	**(22)**	**(22)**
Tax effect of items taken directly to reserves	—	—	—	**4**	**4**
Total comprehensive income for the year ended 31 March 2020	—	—	—	**10,306**	**10,306**
Dividends (see note 9)	—	—	—	**(13,037)**	**(13,037)**
At 31 March 2020	**4,363**	**874**	**13**	**126,408**	**131,658**

	Equity attributable to equity holders of the parent				
	Share capital[a)] £000	Share premium[b)] £000	Other reserve[c)] £000	Retained earnings[d)] £000	Total equity £000
At 1 April 2018	4,363	874	13	122,892	128,142
Profit for the year	—	—	—	11,010	11,010
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	237	237
Defined benefit pension schemes GMP equalisation charge	—	—	—	1,290	1,290
Change in fair value of available for sale assets	—	—	—	44	44
Tax effect of items taken directly to reserves	—	—	—	(7)	(7)
Total comprehensive income for the year ended	—	—	—	12,574	12,574
31 March 2019	—	—	—	12,574	12,574
Dividends (see note 9)	—	—	—	(6,327)	(6,327)
At 31 March 2019	4,363	874	13	129,139	134,389

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 domiciled in the United Kingdom 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 2019.

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 2020 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

The following new standards, or amendments to standards, have been applied in the year:

IFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of the financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases' and is effective for accounting years beginning on or after 1 January 2019. The group's strategy of seeking to own assets outright means that the transition to this standard has not had a material impact on the group financial statements and no adjustment has been made to the amounts recognised in the financial statements.

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.

Notes to the Financial Statements

continued

1 Accounting policies continued

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 subcontract basis for external customers. Revenue is recognised once the performance obligation has been met. This is deemed to be when the goods and services have been collected by, or delivered to, the customer in accordance with the agreed delivery terms.

Post-retirement benefits

Two of the group's pension plans are of a defined benefit type. Under IAS 19 Employee Benefits the employer's portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the 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 and leasehold land and buildings over 50 years or the period of the lease, whichever is less.

ii. 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 classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the group's accounting policy for each category is as follows:

Fair value through other comprehensive income

Fair value through other comprehensive income 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 in other comprehensive income. The cumulative fair value gains and losses are held within retained earnings and are not treated as distributable. Fair value is determined with reference to published quoted prices in an active market.

Amortised cost

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 for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. Where specific receivables are known to be 'bad' or it becomes apparent that payment is 'doubtful' then a credit loss allowance of 100% is applied. 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
There are no significant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on 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 judgements 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 below:

Estimates
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.

Judgements
Pension surplus
In accordance with the winding-up provisions of the Trust Deed and Rules of the final salary pension schemes, management has 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.

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, due to the similar nature of the businesses, 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 2020:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	133,626	5,041	—	138,667
Inter-segmental revenue	17,701	19,471	—	37,172
Segmental result	13,400	(667)	9	12,742
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				10
Defined benefit pension cost				(258)
Finance income				206
Profit before income tax				12,700
Total assets	137,247	29,523	(11,090)	155,680
Non-current asset additions	5,651	2,507	—	8,158
Depreciation	4,406	4,497	—	8,903
Total liabilities	(23,135)	(6,744)	5,857	(24,022)

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 2019:

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

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

	2020 £000	2019 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	**36,499**	35,763
Sweden	**37,161**	42,758
Netherlands	**18,826**	21,830
Rest of Europe	**37,894**	42,290
North and South America	**7,691**	6,849
Other	**596**	746
	138,667	150,236

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 £38,459,000, £17,540,000 and £12,864,000 from three ultimate customer groups (2019 – £43,901,000, £19,170,000 and £14,879,000 respectively).

3 Net operating costs

	2020 £000	2019 £000
Raw materials and consumables	**31,506**	36,476
Changes in inventories of finished goods and work in progress	**(2,310)**	(1,851)
Staff costs (note 5)	**46,665**	48,064
Depreciation of property, plant and equipment	**8,903**	8,296
Light, heat and power	**11,329**	11,717
Outside processing	**15,192**	16,477
Carriage	**2,510**	2,794
Pension GMP equalisation charge	**—**	1,290
Profit on disposal of property, plant and equipment	**(40)**	(160)
Other costs	**12.418**	13,211
Total cost of sales, distribution costs and administrative expenses	**126,173**	136,314

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:

	2020 £000	2019 £000
Fees payable to the company's auditors for the audit of the parent company and group financial statements	**61**	57
Fees payable to the company's auditors for other services - the audit of the company's subsidiaries	**41**	42

4 Exceptional items

	2020 £000	2019 £000
Recovery of past provision for losses on deposits with Icelandic banks	**(10)**	(15)
Defined benefit pension scheme GMP equalisation charge	**–**	1,290
	(10)	1,275

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

5 Employee information

	2020	2019
Average monthly number of employees during the year was:		
Production	**1,097**	1,057
Management and administration	**120**	156
	1,217	1,213

	2020 £000	2019 £000
Staff costs (including directors) comprise:		
Wages and salaries	**40,753**	42,353
Social security costs	**4,193**	4,309
Other pension costs – defined contribution plans	**1,461**	1,165
Other pension costs – defined benefit plans (note 6)	**258**	1,527
	46,665	49,354

The directors represent the key management personnel. Details of their compensation are given in the Directors' Remuneration Report on page 23.

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 2017 using the defined accrued benefit method. It assumed that the rate of return on investments was 2.1% per annum for pre-retirement and 2.1% for post-retirement and price inflation was 3.5% under RPI and 2.8% under CPI. The demographic assumptions are based on S2PA (YoB) tables with an age rating of -1 year being applied to the tables for the staff scheme and no age rating applied to the shop floor scheme. The future mortality improvements were based on CMI 2015 projections with a 1.5% per annum long-term improvement rate. The next actuarial valuation will be performed with an effective date of 6 April 2020.

In order to help optimise the return on assets held by the pension schemes, the pension payments and administration costs incurred by the schemes are paid by the company. The net amount due from the schemes (being pension payments made plus administrative costs 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 9 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 £2,778,000 (2019 – £2,390,000) 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 year. The pension schemes made repayments to the company during the year of £3,525,000 (2019 – £4,455,000). At 31 March 2020 the outstanding balance due from the schemes to the company was £2,778,000 (2019 – £3,525,000) as set out in note 14.

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 was exposed to a number of risks that are inherent in such plans and arrangements. The main risks are summarised below and there are no unusual, entity-specific or plan-specific risks and no significant concentration risks:

- 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 2017 and updated to 31 March 2020 using the projected unit method by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2020	2019
Rate of increase of pensions in payment	**2.10%**	2.30%
Discount rate	**2.40%**	2.40%
Inflation assumption (RPI)	**2.60%**	3.20%
Inflation assumption (CPI)	**2.40%**	2.30%

	2020 £000	2019 £000
Change in benefit obligation		
Benefit obligation at beginning of year	**57,510**	54,971
Past service cost	**—**	1,290
Interest cost on defined benefit obligation	**1,352**	1,401
Actuarial (gains)/losses arising from changes in financial assumptions	**(1,676)**	2,002
Actuarial losses arising from changes in demographic assumptions	**—**	—
Other experience gains	**—**	—
Benefits paid	**(2,352)**	(2,154)
Benefit obligation at end of year	**54,834**	57,510
Change in plan assets		
Fair value of plan assets at beginning of year	**81,928**	77,602
Interest income on plan assets	**1,935**	1,987
Return on plan assets (less)/greater than discount rate	**(15,192)**	4,730
Administrative expenses	**(258)**	(237)
Benefits paid	**(2,352)**	(2,154)
Fair value of plan assets at end of year	**66,061**	81,928
Surplus	**11,227**	24,418
Unrecognised pension surplus (asset ceiling)	**(11,227)**	(24,418)
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 2020 £000	Year to 31 March 2019 £000
Components of pension cost		
Current service cost	—	—
Past service cost	—	1,290
Interest cost on defined benefit obligation	1,352	1,401
Interest income on plan assets	(1,935)	(1,987)
Interest expense on effect of asset ceiling on unrecognised surplus	583	586
Administrative expenses	258	237
Total pension cost recognised within administrative expenses (note 5)	258	1,527
(Gain)/loss arising from changes in financial assumptions	(1,676)	2,002
Loss arising from changes in demographic assumptions	—	—
Experience gain	—	—
Return on plan assets less/(greater) than discount rate	15,192	(4,730)
Changes in asset ceiling on unrecognised surplus	(13,774)	1,201
Pension gain shown in statement of comprehensive income	(258)	(1,527)
Total defined benefit cost recognised in the year	—	—

Defined benefit obligation by participant category

	31 March 2020 £000	31 March 2019 £000
Participant category		
Active participants	—	—
Deferred participants	29,365	30,115
Pensioners	25,469	27,395
	54,834	57,510

Scheme 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. On 24 March 2020, the Trustees of the schemes completed a bulk annuity insurance buy-in with Aviva Life & Pensions UK Limited ("Aviva") thus providing certainty and security for all members of the schemes. The buy-in secures an insurance asset from Aviva that fully matches, subject to final price adjustment of the bulk annuity pricing, the remaining pension liabilities of the schemes. The buy-in covers the investment, longevity, interest rate and inflation risks in respect of the schemes and therefore substantially reduces the pension risk to the company. The asset allocations at the year end were as follows:

	Plan assets at 31 March 2020 £000	Plan assets at 31 March 2019 £000
Assets category		
Cash and cash equivalents	15,269	1,908
Equities	—	14,134
Bonds	—	66,504
Real estate	—	2,907
Asset held by insurance company	53,570	—
	68,839	85,453
Amounts repayable to the group	(2,778)	(3,525)
	66,061	81,928

In the prior year, the equities were invested in UK equity index (8%) and World equity index (92%). Of the bonds, 73% of the value was invested in gilts as part of a liability driven investment strategy, 21% in active corporate bonds over ten years and 6% in other stock active corporate bonds.

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 2021 is £263,000.

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

	2020		2019	
	Male Staff/ Shopfloor	**Female Staff/ Shopfloor**	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	**23.7/22.9**	**25.9/25.0**	23.6/22.8	25.7/24.9
Scheme member age 45 (life expectancy at age 65)	**25.9/25.0**	**28.2/27.3**	25.8/25.0	28.1/27.2

* Mortality tables S2PA CMI 2015 projections with a 1.5% long-term rate of improvement have been used for both schemes, with a -1 age rating applied for the staff scheme.

Sensitivities

The calculations of the defined benefit obligations are sensitive to the assumptions set out on pages 40 to 43. The following table sets out the estimated impact of a change in the assumptions on the defined benefit obligation at 31 March 2020, whilst 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.

	31 March 2020 £000
Increase in defined benefit obligation as a result of:	
Reduction in the discount rate of 0.25%	**2,486**
Increase in inflation of 0.25%	**2,039**
One year increase in life expectancy	**1,740**

Maturity profile of defined benefit obligation

	31 March 2020 £000	31 March 2019 £000
Expected benefit payments during:		
Year 1	**1,813**	1,695
Year 2	**1,872**	1,813
Year 3	**1,951**	1,872
Year 4	**1,992**	1,951
Year 5	**2,035**	1,992
Years 6–10	**12,009**	11,433

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.

Notes to the Financial Statements

continued

7 Finance income

	2020 £000	2019 £000
Interest on short-term deposits	**186**	108
Income from listed investments	**20**	20
	206	128

8 Income tax expense

	2020 £000	2019 £000
Corporation tax based on a rate of 19% (2019 – 19%)		
UK corporation tax		
Current tax on profits for the year	**2,480**	3,250
Adjustments to tax charge in respect of prior years	**(299)**	(81)
	2,181	3,169
Deferred tax		
Current year origination and reversal of temporary differences	**(110)**	(129)
Adjustment to deferred tax charge in respect of prior years	**135**	—
Adjustment to deferred tax charge in respect of change in tax rate	**428**	—
	453	(129)
Taxation on profit	**2,634**	3,040
Profit before income tax	**12,700**	14,050
Tax on profit at the standard rate of corporation tax in the UK of 19% (2019 – 19%)	**2,413**	2,670
Effect of:		
(Income)/expenses not chargeable/deductible for tax purposes	**(88)**	161
Adjustment to tax charge in respect of prior years	**(299)**	(81)
Adjustment to deferred tax charge in respect of prior years	**135**	—
Adjustment to deferred tax charge in respect of change in tax rate	**428**	—
Pension adjustments	**45**	290
Total tax charge for the year	**2,634**	3,040
Effective rate of tax (%)	**20.7**	21.6

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2020 on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements which has resulted in a deferred tax charge of £428,000 in the current year.

9 Dividends

	2020 £000	2019 £000
Final paid of 11.40p per share for the year ended 31 March 2019 (2018 – 11.12p)	**4,974**	4,852
Interim paid of 3.48p per share (2019 – 3.38p)	**1,518**	1,475
Supplementary dividend of 15.00p per share for the year ended 31 March 2019	**6,545**	—
	13,037	6,327

The directors are proposing a final dividend of 11.40 pence (2019 – 11.40 pence) per share totalling £4,974,056 (2019 – £4,974,056). This dividend has not been accrued at the balance sheet date.

10 Earnings per share

Earnings per share of 23.07 pence per share (2019 – 25.23 pence per share) is calculated on the profit on ordinary activities after taxation of £10,066,000 (2019 – £11,010,000). Earnings per share excluding exceptional items of 23.05 pence per share (2019 - 28.16 pence per share) is calculated on the profit on ordinary activities before exceptional items after taxation of £10,056,000 (2019 – £12,285,000).

The weighted average number of shares in issue at the end of the year of 43,632,068 (2019 – 43,632,068). There are no potentially dilutive shares, hence the diluted earnings per share are 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 2019	39,826	139,967	179,793
Additions during the year	357	7,801	8,158
Disposals	—	(319)	(319)
At 31 March 2020	**40,183**	**147,449**	**187,632**
Accumulated depreciation			
At 1 April 2019	9,780	98,575	108,355
Charge for year	1,161	7,742	8,903
Disposals	—	(319)	(319)
At 31 March 2020	**10,941**	**105,998**	**116,939**
Net book values			
At 31 March 2020	**29,242**	**41,451**	**70,693**
At 31 March 2019	30,046	41,392	71,438

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

The net book value of land and buildings includes £2,169,000 (2019 – £2,169,000) for land which is not depreciated.

Included within plant and equipment are assets in the course of construction with a net book value of £1,993,000 (2019 – £240,000).

In June 2018 the directors decided to sell the long leasehold land and property at Fradley which is an asset within the foundry segment in note 2. There remain interested parties and the sale is expected to complete before the end of March 2021 and therefore the asset continues to be shown under assets classified as held for sale.

Notes to the Financial Statements

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12 Financial assets

	2020 £000	2019 £000
Financial assets at FVOCI	**358**	380

	2020 £000	2019 £000
At 1 April 2019	**380**	336
Net (losses)/gains recognised in other comprehensive income	**(22)**	44
At 31 March 2020	**358**	380

Financial assets at fair value through other comprehensive income (FVOCI) 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.

On adoption of IFRS 9, there was no impact on the fair values or amounts recognised relating to these financial assets.

The cumulative fair value gains and losses which are undistributable and held within retained earnings totalled £201,000 (2019 – £223,000).

13 Inventories

	2020 £000	2019 £000
Raw materials	**4,812**	5,045
Work in progress	**6,169**	5,645
Finished goods	**10,194**	8,474
	21,175	19,164

Inventories are net of impairment provisions of £647,000 (2019 – £842,000).

14 Trade and other receivables

	2020 £000	2019 £000
Due within one year:		
Trade receivables	**21,813**	33,764
Other receivables	**1,316**	1,411
Receivable from pension schemes (see note 6)	**2,778**	3,525
Prepayments	**2,754**	2,421
	28,661	41,121

15 Trade and other payables

	2020 £000	2019 £000
Current trade and other payables:		
Trade payables	**12,147**	14,486
Social security	**1,529**	2,608
Other payables	**477**	706
Accruals	**5,939**	6,422
	20,092	24,222

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% (2019 – 17%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2020 £000	2019 £000
At 1 April 2019	**3,481**	3,603
(Credited)/charged to other comprehensive income	**(4)**	7
Charged/(credited) to profit	**453**	(129)
At 31 March 2020	**3,930**	3,481

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 2019	3,549	(68)	3,481
Charged to profit	432	21	453
Credited to other comprehensive income	—	(4)	(4)
At 31 March 2020	**3,981**	**(51)**	**3,930**

Of the deferred tax liabilities, £657,000 (2019 – £172,000) is expected to be recovered within 12 months with £3,273,000 (2019 – £3,309,000) 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 2018	3,607	(4)	3,603
(Charged)/credited to profit	(58)	(71)	(129)
Charged to other comprehensive income	—	7	7
At 31 March 2019	3,549	(68)	3,481

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

	2020 £000	2019 £000
Tax on change in fair value of available-for-sale financial assets	**(4)**	7
Tax on items taken directly to other comprehensive income	**(4)**	7

17 Share capital

	2020 £000	2019 £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

	2020 £000	2019 £000
Capital commitments contracted for by the group but not provided for in the financial statements	**3,323**	1,631

As set out on page 8, 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 2020, the directors do not consider any significant liability will arise in respect of any such claims (2019 – £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	
	2020 £000	2019 £000
Financial assets measured at amotised cost		
Trade receivables	**21,813**	33,764
Other receivables	**4,094**	4,936
Cash and cash equivalents	**33,401**	25,771
Other interest-bearing deposits	**—**	5,000
Total current financial assets	**59,308**	69,471
Non-current financial assets		
Financial assets at fair value through other comprehensive income	**358**	380
Total non-current financial assets	**358**	380
Total financial assets	**59,666**	69,851

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

	Financial liabilities measured at amortised cost	
	2020 £000	2019 £000
Current financial liabilities		
Trade payables	**12,147**	14,486
Other payables	**477**	706
Accruals	**5,939**	6,422
Total current financial liabilities	**18,563**	21,614

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 2020, trade receivables of £20,630,000 (2019 – £32,339,000) 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 26% of trade receivables at any time during the year. Concentration of credit risk to any other counterparty did not exceed 9% 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. Impairment provisions are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk and the days past due. The expected loss rates are based on the payment profiles and historical credit losses experience over a three year period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, including the potential financial impact of COVID-19.

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 (2019 – fully recoverable).

At 31 March 2020 trade receivables of £571,000 (2019 – £677,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2020 £000	2019 £000
30–60 days	**36**	278
60–90 days	**42**	62
90+ days	**493**	337
	571	677

Notes to the Financial Statements
continued

19 Financial instrument risk exposure and management continued

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:

	2020 £000	2019 £000
Opening balance	**747**	409
Increase in provisions	**28**	343
Written off against provisions	**(178)**	(5)
Closing balance	**597**	747

Impairment losses on trade receivables of £150,000 (2019 – receivables of £338,000) were recognised in administrative expenses.

Liquidity risk
Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 90 days. The cash position is continuously monitored to ensure that there is sufficient cash and that the optimum interest rate is obtained.

Based on projected cash flows, the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Market risk
Market risk arises from the group's use of interest-bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

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 (2019 – £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 did not have any forward contracts in place to sell euros (2019 – £nil).

At the balance sheet date foreign exchange facilities of £1.9 million (2019 – £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 2020 £000	Fixed rate assets 2020 £000	Interest-free assets 2020 £000	Total 2020 £000
Sterling	**5**	**31,534**	**23,716**	**55,255**
US$	**158**	**55**	**898**	**1,111**
Euro	**1,508**	**141**	**1,651**	**3,300**
	1,671	**31,730**	**26,265**	**59,666**

	Floating rate assets 2019 £000	Fixed rate assets 2019 £000	Interest-free assets 2019 £000	Total 2019 £000
Sterling	5	24,939	33,090	58,034
US$	929	—	1,163	2,092
Euro	4,758	141	4,826	9,725
	5,692	25,080	39,079	69,851

	Interest-free liabilities 2020 £000	Interest-free liabilities 2019 £000
Sterling	**17,787**	21,031
US$	**19**	47
Euro	**757**	536
	18,563	21,614

Fixed rate assets attracted interest rates of between 0.20% and 0.95% (2019 – 0.15% and 0.95%) 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 £71,000/(£71,000) (2019 – £59,000/(£59,000)).

The group believes that movements on exchange rates of +/–5% could be possible, the effect of which is that profit before tax would (decrease)/increase by (£79,000)/£87,000 (2019 – (£133,000)/£147,000).

Other interest-bearing deposits
Other interest-bearing deposits in the prior year comprised short-term deposits that had fixed interest rates and a maturity date of 4 April 2019.

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 20 to 24.

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	**2020 £000**	2019 £000	2018 £000	2017 £000	2016 £000
Trading results					
Revenue	**138,667**	150,236	133,276	118,822	132,448
Profit before tax	**12,700**	14,050	12,077	15,915	19,676
Profit after tax	**10,066**	11,010	9,798	13,004	16,187
Dividends paid	**13,037**	6,327	6,095	19,072	5,873
Balance sheet summary					
Equity					
Share capital	**4,363**	4,363	4,363	4,363	4,363
Reserves	**127,295**	130,026	123,779	119,781	125,570
Total equity	**131,658**	134,389	128,142	124,144	129,933
Assets					
Property, plant and equipment	**70,693**	71,438	75,448	72,762	66,948
Financial assets	**358**	380	336	408	354
Other receivables	**—**	—	1,135	2,269	3,383
	71,051	71,818	76,919	75,439	70,685
Current assets	**84,629**	92,116	78,448	74,480	82,424
Total liabilities	**(24,022)**	(29,545)	(27,225)	(25,775)	(23,176)
	131,658	134,389	128,142	124,144	129,933
Dividends and earnings					
Pence per share declared	**14.88**	14.78	14.50	13.97	13.71
Number of times covered (dividend paid, excluding special)	**1.6**	1.7	1.6	2.2	2.8
Earnings per share — basic and diluted	**23.07p**	25.23p	22.46p	29.80p	37.10p
Earnings per share — excluding exceptional items	**23.05p**	28.16p	22.21p	29.51p	36.38p

Parent Company Balance Sheet

as at 31 March 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**21,614**	21,428
Investments	6	**4,995**	4,995
Financial assets	7	**358**	380
		26,967	26,803
Current assets			
Inventories	8	**15,330**	13,660
Trade and other receivables	9	**23,178**	34,865
Current tax asset		**119**	–
Other current interest-bearing deposits		**–**	5,000
Cash and cash equivalents		**26,909**	19,821
		65,536	73,346
Assets classified as held for sale		**1,060**	1,060
		66,596	74,406
Total assets		**93,563**	101,209
LIABILITIES			
Current liabilities			
Trade and other payables	10	**12,404**	14,990
Current tax liabilities		**–**	1,441
		12,404	16,431
Non-current liabilities			
Deferred tax liabilities	11	**853**	749
Total liabilities		**13,257**	17,180
Net assets		**80,306**	84,029
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		**75,056**	78,779
Total shareholders' funds		**80,306**	84,029

The company's profit for the financial year was £9,332,000 (2019 – £12,327,000).

The parent company financial statements on pages 53 to 60 were approved and authorised for issue by the board of directors on 10 June 2020, and were signed on its behalf by:

B. J. Cooke
Chairman

S. J. Mant
Finance Director

Notes to the financial statements are on pages 55 to 60.

Registered number — 91580.

Parent Company Statement of Changes in Equity

for the year ended 31 March 2020

	Equity attributable to equity holders of the parent				
	Share capital[a)] £000	**Share premium[b)] £000**	**Other reserve[c)] £000**	**Retained earnings[d)] £000**	**Total equity £000**
At 1 April 2019	**4,363**	**874**	**13**	**78,779**	**84,029**
Profit for the year	**—**	**—**	**—**	**9,332**	**9,332**
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	**—**	**—**	**—**	**(22)**	**(22)**
Tax effect of items taken directly to reserves	**—**	**—**	**—**	**4**	**4**
Total comprehensive income for the year ended 31 March 2020	**—**	**—**	**—**	**9,314**	**9,314**
Dividends (see note 4)	**—**	**—**	**—**	**(13,037)**	**(13,037)**
At 31 March 2020	**4,363**	**874**	**13**	**75,056**	**80,306**

	Equity attributable to equity holders of the parent				
	Share capital[a)] £000	Share premium[b)] £000	Other reserve[c)] £000	Retained earnings[d)] £000	Total equity £000
At 1 April 2018	4,363	874	13	71,452	76,702
Profit for the year	—	—	—	12,327	12,327
Other comprehensive income/(losses):					
Defined benefit pension schemes GMP equalisation charge	—	—	—	1,290	1,290
Change in fair value of available for sale assets	—	—	—	44	44
Tax effect of items taken directly to reserves	—	—	—	(7)	(7)
Total comprehensive income for the year ended 31 March 2019	—	—	—	13,654	13,654
Dividends (see note 4)	—	—	—	(6,327)	(6,327)
At 31 March 2019	4,363	874	13	78,779	84,029

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 14 to 16 of the Annual Report and Financial Statements

1 Accounting policies

General information

Castings Public Limited Company (the "company", "Castings P.L.C.") is incorporated and domiciled in the United Kingdom 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 2019.

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, and in accordance with the Companies Act 2006.

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 once the performance obligation has been met. This is deemed to be when the goods and services have been collected by, or delivered to, the customer in accordance with the agreed delivery terms.

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 and leasehold land and buildings over 50 years
- Plant and equipment over a period of 3 to 10 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 14 to 16 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 group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the group's accounting policy for each category is as follows:

Fair value through other comprehensive income

Fair value through other comprehensive income 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 in other comprehensive income. The cumulative fair value gains and losses are held within retained earnings and are not treated as distributable. Fair value is determined with reference to published quoted prices in an active market.

Amortised cost

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 for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. Where specific receivables are known to be 'bad' or it becomes apparent that payment is 'doubtful' then a credit loss allowance of 100% is applied. 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 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 38 of the group financial statements.

New standards, amendments and IFRIC interpretations
There are no significant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have 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 £9,332,000 (2019 – £12,327,000).

The profit and loss account includes £61,000 (2019 – £57,000) for audit fees.

The cost of inventories recognised as an expense during the year was £50,857,000 (2019 – £48,729,000).

3 Employee information

	2020	2019
Average monthly number of employees during the year was:		
Production	**357**	373
Management and administration	**26**	27
	383	400

	2020 £000	2019 £000
Staff costs (including directors) comprise:		
Wages and salaries	**15,844**	16,946
Social security costs	**1,684**	1,768
Other pension costs	**635**	568
	18,163	19,282

The directors represent the key management personnel. Details of their compensation are given in the Directors' Remuneration Report on page 23.

4 Dividends

	2020 £000	2019 £000
Final paid of 11.40p per share for the year ended 31 March 2019 (2018 – 11.12p)	**4,974**	4,852
Interim paid of 3.48p per share (2019 – 3.38p)	**1,518**	1,475
Supplementary dividend of 15.00p per share for the year ended 31 March 2019	**6,545**	–
	13,037	6,327

The directors are proposing a final dividend of 11.40 pence (2019 – 11.40 pence) per share totalling £4,974,056 (2019 – £4,974,056). 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 14 to 16 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 2019	20,702	31,408	52,110
Additions during year	261	1,531	1,792
Disposals	—	(207)	(207)
At 31 March 2020	**20,963**	**32,732**	**53,695**
Accumulated depreciation			
At 1 April 2019	4,080	26,602	30,682
Charge for year	405	1,201	1,606
Disposals	—	(207)	(207)
At 31 March 2020	**4,485**	**27,596**	**32,081**
Net book values			
At 31 March 2020	**16,478**	**5,136**	**21,614**
At 31 March 2019	16,622	4,806	21,428

The net book value of land and buildings includes £1,768,000 (2019 – £1,768,000) 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 £571,000 (2019 – £nil) which are not depreciated.

In June 2018 the directors decided to sell the long leasehold land and property at Fradley which is an asset within the foundry segment in note 2. There remain interested parties and the sale is expected to complete before the end of March 2021 and therefore the asset continues to be shown under assets classified as held for sale.

6 Investments

	2020 £000	2019 £000
Subsidiary companies		
At cost	**4,995**	4,995
	4,995	4,995

	2020 £000	2019 £000
At 1 April 2019	**4,995**	4,995
Impairment losses	—	—
At 31 March 2020	**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

	2020 £000	2019 £000
Financial assets at FVOCI	**358**	380

	2020 £000	2019 £000
At 1 April 2019	**380**	336
Net (losses)/gains recognised in other comprehensive income	**(22)**	44
At 31 March 2020	**358**	380

Financial assets at fair value through other comprehensive income (FVOCI) 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.

The cumulative fair value gains and losses which are undistributable and held within retained earnings totalled £201,000 (2019 – £223,000).

8 Inventories

	2020 £000	2019 £000
Raw materials	**2,450**	3,011
Work in progress	**4,374**	3,827
Finished goods	**8,506**	6,822
	15,330	13,660

Inventories are net of impairment provisions of £224,000 (2019 – £384,000).

9 Trade and other receivables

	2020 £000	2019 £000
Due within one year:		
Trade receivables	**15,378**	24,254
Amounts receivable from subsidiary companies	**2,546**	5,151
Other receivables	**1,187**	1,411
Receivable from pension schemes (see note 6 of group financial statements)	**2,778**	3,525
Prepayments	**1,289**	524
	23,178	34,865

Trade receivables are net of impairment provisions of £317,000 (2019 – £300,000).

Amounts receivable from subsidiary companies are interest free and have no fixed repayment terms.

10 Trade and other payables

	2020 £000	2019 £000
Current trade and other payables		
Trade payables	**6,183**	7,046
Amounts owed to subsidiary companies	**2,583**	3,992
Social security	**709**	891
Other payables	**264**	284
Accruals	**2,665**	2,777
	12,404	14,990

Amounts owed to subsidiary companies are interest free and have no fixed repayment terms.

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 14 to 16 of the Annual Report and Financial Statements

11 Deferred tax liabilities

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% (2019 – 17%). The movement on the deferred tax account is shown below:

Deferred tax liabilities

	2020 £000	2019 £000
At 1 April 2019	**749**	759
(Credited)/charged to other comprehensive income	**(4)**	7
Charged/(credited) to profit	**108**	(17)
At 31 March 2020	**853**	749

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

Deferred tax liabilities

	Accelerated tax depreciation £000	**Other £000**	**Total £000**
At 1 April 2019	744	5	749
Charged/(credited) to profit	71	37	108
Credited to other comprehensive income	—	(4)	(4)
At 31 March 2020	**815**	**38**	**853**

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

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2018	729	30	759
Charged/(credited) to profit	15	(32)	(17)
Credited to other comprehensive income	—	7	7
At 31 March 2019	744	5	749

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

	2020 £000	2019 £000
Tax on change in fair value of available-for-sale financial assets	**(4)**	7
Tax on items taken directly to other comprehensive income	**(4)**	7

12 Share capital

	2020 £000	2019 £000
Allotted and fully paid 43,632,068 (2019 – 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 2017. Further details of the schemes are contained in note 6 to the group financial statements.

14 Capital commitments and contingencies

	2020 £000	2019 £000
Authorised, but not provided in the financial statements	**1,352**	762

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 2020, the directors do not consider any significant liability will arise in respect of any such claims (2019 – £nil).

Notice of Meeting

Notice is hereby given that the one hundred and thirteenth Annual General Meeting of Castings P.L.C. (the "company") will be held at the company's registered office Lichfield Road, Brownhills, West Midlands, WS8 6JZ on 13 August 2020 at 10.30 am for the purposes set out below.

With the current issues surrounding the COVID-19 pandemic, the AGM will be a closed meeting this year and shareholders will not therefore be able to attend in person. Shareholders are strongly encouraged to vote by proxy in line with the instructions in Note 1 on page 62.

Shareholders wishing to raise questions relating to the business of the AGM, or any other questions relating to the company, can do so by submitting them by email to AGM@castings.plc.uk by 10 August 2020. When asking questions in this manner, the email must include details of full shareholder name, number of shares held and contact details. Replies will be given either in person, by email or by publication on the company's website www.castings.plc.uk at the appropriate time.

As ordinary business

1 To receive and adopt the Directors' Report and audited financial statements for the year ended 31 March 2020.

2 To declare a final dividend.

3 To re-elect B. J. Cooke as a director.

4 To re-elect A. Vicary as a director.

5 To re-elect S. J. Mant as a director.

6 To re-elect A. N. Jones as a director.

7 To re-elect A. K. Eastgate as a director.

8 To approve the directors' remuneration policy.

9 To approve the Directors' Remuneration Report for the year ended 31 March 2020.

10 To appoint Mazars LLP as auditors of the company at a fee to be agreed with the directors.

As special business

To consider and, if thought fit, pass the following resolutions, of which resolutions 11 and 12 will be proposed as ordinary resolutions and resolutions 13 and 14 will be proposed as special resolutions.

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

As ordinary resolutions

11 THAT the rules of the Castings 2020 Restricted Share Plan ('the Plan'), in the form produced to the meeting and initialled by the chairman of the meeting for the purpose of identification, the principal terms of which are summarised in note 2 to the notice convening the Annual General Meeting, be and are hereby approved and the Directors be and are hereby authorised to adopt the Share Plan and do all acts and things that they consider reasonably necessary or expedient to give effect to it

12 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 12 August 2025 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 22 August 2019, which authorities are accordingly hereby revoked;

(d) this authority will be put to annual shareholder approval.

Notice of Meeting

continued

As special resolutions

13 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 12 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.

14 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 2020;

(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 17 July 2020. Assuming the final dividend is approved by the members, the dividend will be paid on 17 August 2020.

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 2020.

By order of the board

S. J. Mant

Company Secretary
Registered Office:
Lichfield Road, Brownhills,
West Midlands, WS8 6JZ
10 June 2020

Note 1 - Proxy voting:

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: Link Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, not less than 48 hours before the time appointed for the meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30 am on 11 August 2020. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Note 2 - Principal terms of the Castings 2020 Restricted Share Plan ("the Plan"):
The Plan permits the making of awards of nil cost options over shares in the company to employees of the group (including the executive directors). The market value of awards at the time they are granted cannot exceed 25% of the employee's base salary, though this limit can be increased to 50% of base salary in exceptional circumstances. Awards are not pensionable. Awards will normally vest three years after the date of grant, subject to continued employment with the group. They will normally be subject to a two year holding period after vesting and may be granted on the basis that the participant shall be entitled to an additional benefit (in cash or shares) in respect of dividends paid over the subsequent holding period.

Awards granted to an employee who ceases to be employed by the group before the end of the relevant three year period will normally lapse unless it is by reason of ill-health, injury or disability or other reasons at the discretion of the Remuneration Committee. Awards are subject to reduction and recovery under malus and clawback provisions covering such matters as material misstatement of financial results, material irregularity and misconduct.

No award may be granted if it would cause the number of shares issued or issuable under the company's share plans in the preceding ten years to exceed 10% of the company's issued share capital at that time. In addition, no award may be granted if it would cause the number of shares issued or issuable under the Plan and any other discretionary share plans in the preceding ten years to exceed 5% of the company's issued ordinary share capital at that time.

The rules of the Plan may be amended, save that no amendment to the advantage of participants may be made to provisions relating to: a) the persons to whom, or for whom, shares or cash are provided under the Plan; b) limitations on the number or amount of shares or cash subject to the Plan; c) the maximum entitlement for any one participant; and d) the basis for determining a participant's entitlement to, and the terms of, shares or cash to be provided and for the adjustment thereof (if any) if there is a variation of capital; without the prior approval of shareholders in general meeting (except for any minor amendment to benefit the administration of the Plan or which is necessary or desirable to take account of any change in legislation or to obtain favourable taxation, exchange control or regulatory treatment for participants in the Plan or Castings P.L.C. or any members of its group).

In light of current restrictions as a result of COVID-19, the Rules of the Plan will not be available for physical inspection but will be made available on the Company's website with effect from the date of posting of the AGM notice until the end of the AGM.

Note 3 - 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 the close of business 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 the close of business on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

Directors, Officers and Advisers

Directors	B. J. Cooke, AdvDipNFC, FICME *Non-executive Chairman* A. Vicary, BEng, MSc, FICME *Chief Executive Officer* S. J. Mant, BSocSc (Hons) FCA *Finance Director* A. N. Jones, BA (Hons), FCA *Senior Independent Non-executive* A. K. Eastgate, BA (Hons) *Non-executive*
Secretary and Registered Office	S. J. Mant, FCA Lichfield Road, Brownhills, West Midlands, WS8 6JZ Tel: 01543 374341 Fax: 01543 377483 Web: www.castings.plc.uk
Registrars	Link Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30 am to 5.30 pm Mon–Fri) Fax: 020 8658 3430
Auditors	Mazars LLP 45 Church Street, Birmingham, B3 2RT
Solicitors	Enoch Evans LLP St Paul's Chambers, 6/9 Hatherton Road, Walsall, West Midlands, WS1 1XS Pinsent Masons LLP 3 Colmore Circus, Birmingham, B4 6BH
Bankers	HSBC Bank plc 49 Market Street, Lichfield, Staffordshire, WS13 6LB
Stockbrokers	Arden Partners plc Arden House, Highfield Road, Edgbaston, Birmingham, B15 3DU
Registered No.	91580

Shareholder Information

Capital gains tax

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

Warning to shareholders

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

Over the last year many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based ‘brokers’ who target UK shareholders offering to sell them what often 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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West Midlands
WS8 6JZ