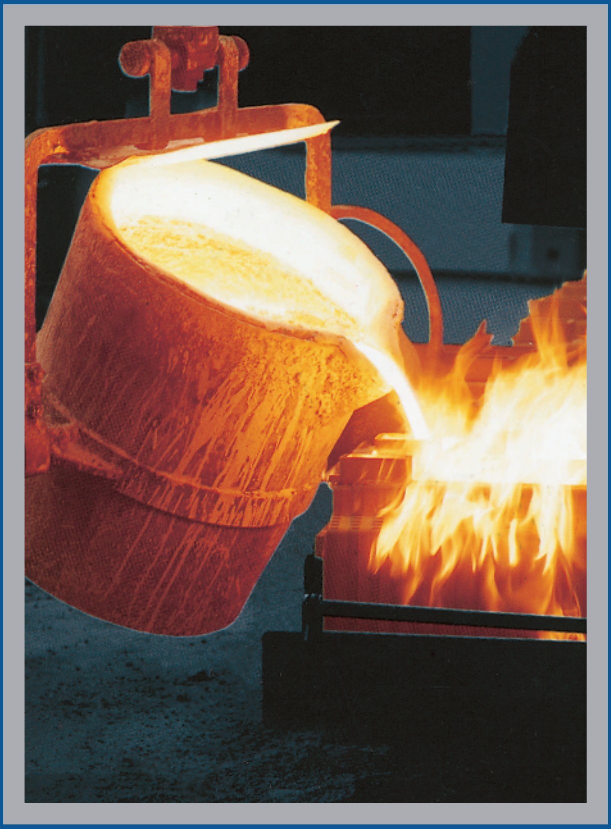
CASTINGS P.L.C.



Annual Report 2007

Directors and Officers

Directors

B. J. Cooke, AdvDipNFC, MIBritF *Chairman*
D. J. Gawthorpe, BSc (Hons), MIBritF *Chief Executive*
J. C. Roby, FCA *Finance Director*
M. A. Lewis *Managing Director, CNC Speedwell Ltd*
G. Cooper *Managing Director, William Lee Ltd*
A. J. Smith, MIBritF, IEng *Non-executive*
C. P. King, FCA *Non-executive*
G. B. Wainwright, MIMgt, MIEx, FRSA *Non-executive*

Secretary and Registered Office

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

Registrars

Capita Registrars
Northern House,
Woodsome Park,
Fenay Bridge,
Huddersfield.
West Yorkshire, HD8 0LA
Tel: 0870 162 3100
Fax: 020 8658 3430

Auditors

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

Solicitors

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

Pinsent Masons
3 Colmore Circus,
Birmingham, B4 6BH

Bankers

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

Stockbrokers

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

Registered No.

91580

Directors

Executive Directors

Brian Cooke
Aged 67, he joined the company in 1960 after attending foundry college and serving an engineering apprenticeship. He worked in all departments of the company and was appointed a director in 1966, becoming joint managing director in 1968 and managing director in 1970. He has been Chairman since 1983.

Chris Roby
Aged 59, he joined the company in 1988 as company secretary and was appointed finance director later in that year. Prior to that date he had been working in a professional accounting firm specialising in manufacturing and international companies.

David Gawthorpe
Aged 45, he joined the company in 1984 and became local technical director at Brownhills in 1994. He was appointed a director in 2003 and became chief executive in April 2007 and is the director with environmental responsibility.

Mark Lewis
Aged 43, he joined CNC Speedwell in 1990 becoming their managing director in 1996. He has overseen the machining requirements for the group and was appointed a director in 2003.

Graham Cooper
Aged 53, he joined William Lee in 1977 becoming operations director there in 2003 and their managing director on 1st January 2005.

Non-Executive Directors

Gerard Wainwright
Aged 57, he was appointed a director in 1998 and is the senior independent director. He is chairman of Turmarine S.A. and has been chief executive of a wide range of manufacturing companies for over twenty years together with continuous international experience. He is chairman of the remuneration committee and a member of the audit and nomination committees.

Paul King
Aged 70, he was appointed a director in 1998. He retired from practice as a partner with Coopers & Lybrand and is a member of the Boards of Claverley Company and Thomas Walker plc. He is chairman of the audit committee and is regarded as the financial expert of that committee and is also a member of the remuneration and nomination committees.

Tony Smith
Aged 60, he joined the company in 1962 and became a director in 1985, ultimately being managing director at Brownhills. In 2004 he retired from executive duties. His continuing involvement is invaluable to the company with his experience in foundry production and human relations. He adds to the existing strength of our non-executive directors. He is a member of the audit, remuneration and nomination committees.

Chairman's Statement

Turnover has increased from £76.7m to £86.2m and profits are up from £12.70m to £13.06m compared to last year.

An interim dividend of 2.58 pence per share was paid in January 2007. Your board recommends a final dividend of 6.94 pence per share compared with 6.67 pence per share last year.

The results have been affected by delayed recovery of raw material costs and rapid increases in energy prices from 1st October 2006. These factors were reported last year and again in the interim statement in November.

Foundry production

We have again enjoyed a sustained period of high demand from our customers both at Castings Brownhills and William Lee but, despite improved productivity and quality, our margins have reduced again due to increases in raw material prices, energy prices and employment costs, coupled with inflationary increases in almost all items we purchase that have not yet been recovered. This will have to be addressed in the future in order to improve profitability and returns on our investments. We will continue with investments in the foundries to improve productivity and one such improvement is to be made to one of our moulding lines at Brownhills.

CNC Speedwell

The moving of the machine shop from the Fradley Park site to Brownhills was completed last August and the move has proved to be of great benefit to the management of CNC Speedwell and to the more efficient running of the business.

The turnover at CNC increased by well over 30% during the year and the profits improved, which again has justified our considerable investment in this facility, but immediate capital expenditure will reduce.

We expect turnover to continue to increase during this financial year.

Employees

The success of the company is only possible with the enthusiasm and loyalty of all our employees. On behalf of the board and the shareholders I would like to express our sincere appreciation to them.

Board changes

On 2nd April 2007 David Gawthorpe was appointed Chief Executive of the company. He joined the company in 1984 and has held a series of senior positions including Managing Director at our Brownhills foundry.

I am confident that with the support of our directors and employees the company will continue to prosper under his leadership.

Prospects

The demand for castings and finished products continues at a high level, but world competition makes for a very competitive market. We are confident that our commitment to supply on time with excellent quality will benefit our customers and ourselves now and in the future.

B. J. COOKE
Chairman
20th June 2007

Business and Financial Review

Turnover increased by 12.4% to £86.2 million, of which 65% was exported. The dispatch weight of castings to outside customers was 53,500 tonnes which was an increase of 3,000 tonnes from the previous year. The group produced 56,000 tonnes of castings compared to 52,500 tonnes last year. CNC Speedwell increased its turnover by 36%.

Unfortunately, significant cost increases, in particular unrecovered raw material and electricity costs, resulted in profit from operations only being the same as last year, and reducing the operating margin to 13.4% from 15.1%.

Our policy of continual improvement and investment has, however, reduced the number of hours it takes to produce one tonne of castings, mitigating the fall in the margin.

Despite ending the year with less cash, the rise in interest rates helped increase finance income by £357,000 to £1,497,000, an increase of 31%. Cash outflow included £9.6 million (2006: £4.3 million) on capital equipment, particularly for CNC Speedwell, and £4.4 million being the balance paid into the final salary pension schemes as mentioned in last year's report. This has also helped to produce a lower tax bill.

The pension valuation under IAS19 showed a surplus of £4.3 million but, as accounting practices recommend, this has not been shown as an asset due to future uncertainties surrounding its realisation.

The directors are recommending an increase of 4% in the final dividend that will be paid in August which, with the interim dividend paid in January, will result in the return of £4.15 million to shareholders.

Directors' Report

The directors submit their Annual Report and the Audited Accounts for the year ended 31st March 2007.

Trading activities

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

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

Dividends

An interim dividend of 2.58 pence per share was paid on 12th January 2007. The directors now recommend a final dividend of 6.94 pence per share payable on 17th August 2007, making a total distribution of 9.52 pence for the year.

Share capital

The movements in the share capital of the company during the year are shown in note 16 on page 24.

Directors

The present directors of the company are listed on page 1 and their interests in the shares of the company are shown below.

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

	Beneficial Holdings	
	2007	2006
B. J. Cooke	1,950,986	1,950,986
A. J. Smith	113,079	113,079
J. C. Roby	128,190	128,190
C. P. King	—	—
G. B. Wainwright	—	—
D. J. Gawthorpe	26,357	26,357
M. A. Lewis	3,025	3,025
G. Cooper	—	—

There have been no changes in the shareholdings of directors between 31st March 2007 and 8th June 2007.

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

$\left.\begin{array}{l}\text{D. J. Gawthorpe}\\ \text{M. A. Lewis}\\ \text{C. P. King}\end{array}\right\}$ by rotation

The unexpired period of the contracts of service for D. J. Gawthorpe and M. A. Lewis is one year. Mr C. P. King does not have a contract of service.

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

Substantial shareholdings

The directors have been notified that the following investors, including directors, held interests in 3% or more of the company's issued share capital at 31st March 2007 and 8th June 2007:

	Number	%
Aberforth Partners' Clients	6,147,271	14.1
Hunter Hall Value Growth Trust	4,640,826	10.6
B. J. Cooke	1,950,986	4.5
Hamstall Investments Inc.	1,800,000	4.1
Rathbone Investment Management Ltd	1,600,000	3.7
Legal & General Group plc	1,516,376	3.5

Business review

The Chairman's Statement on page 3, the Business and Financial Review on page 4, the Corporate Governance Statement on page 7, and the Notes to the Accounts on pages 17 to 25 provide detailed information relating to the group, the operation and development of the business and the results and financial position for the year ended 31st March 2007.

Future prospects

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

Directors' Report

Special business

There will be three items of Special Business at the Annual General Meeting.

Directors' authority to allot shares
Approval will be sought for a special resolution to renew the authority given to the directors to allot shares in the company. The present authority was granted on 15th August 2006 and under Section 80 of the Companies Act must be renewed at least every 5 years. Authority will also be sought from shareholders to allow the directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital.

Both Authorities are to be for the period commencing on the date of passing of the Resolution until 13th August 2012 but will be put to annual shareholder approval. The proposed Resolutions are set out as items 8 and 9 in the Notice of Meeting.

Authority to purchase own shares
At the Annual General Meeting in 2006, the board was given authority to purchase and cancel up to 4,358,844 of its own shares representing 9.99% of the company's existing shares, through market purchases on The London Stock Exchange. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price which may be paid for each share is 10 pence.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The directors are now seeking the approval of shareholders for the renewal of this authority upon the same terms, save that the authority is now sought to allow the company to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of its issued share capital at 31st March 2007. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 10. This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in future earnings per share, and if it is in the best interests of shareholders generally.

Fixed assets

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

Employee involvement

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

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

Health and safety

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

Employment of disabled persons

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

Policy on payment of creditors

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The company does not follow any code or standard on payment practice. Individual operating businesses within the group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The number of days' purchases outstanding for payment by the company at the year end was 41 (2006 – 41).

Financial instruments

Details of the use of financial instruments by the group are contained in note 19 of the accounts.

Auditors

The auditors, BDO Stoy Hayward LLP, have indicated their willingness to continue in office. A resolution proposing their reappointment as auditors of the company and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

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

Capital gains tax

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

By order of the board

B. J. COOKE
Chairman

20th June 2007

Corporate Governance

Internal control

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

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

The directors confirm that they have established procedures necessary to implement the guidance for directors on the Combined Code such that they fully comply with it for the accounting period ended on 31st March 2007.

Internal financial control

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

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

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

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

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

Auditors' independence

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

Environment

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

Specifically, the company is committed to:

- Implementing and maintaining an Environmental Management System in accordance with the ISO14001 standard.
- Establishing procedures to review the impact of current or new activities or processes on the environment.
- Reviewing audit results and 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 environmental legislation, process, planning and discharge authorisations, as appropriate to its operations.
- Pursuing best practice techniques in the use of energy and raw materials.
- Encouraging the beneficial re-use, recycling and recovery of its waste products.
- Ensuring that environmental issues are considered when making decisions to invest in capital plant and in the planning and controlling of manufacturing processes.
- Promoting environmental awareness throughout the group and ensuring that personnel whose activities have the potential to cause a significant impact on the environment receive appropriate training.
- Ensuring that suppliers and contractors adopt environmental practices on site that are compatible with our exacting environmental standards.
- Establishing and maintaining adequate contingency procedures and plans to deal effectively with any accidental discharge or emission of pollutants.
- Communicating our Environmental Policy Statement to any interested parties.

Board of directors

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

Corporate Governance

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

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

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

	Board		Audit Committee		Remuneration Committee	
Director	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
B. J. Cooke	9	9	—	—	—	—
D. J. Gawthorpe	9	9	—	—	—	—
J. C. Roby	9	9	—	—	—	—
M. A. Lewis	9	5	—	—	—	—
G. Cooper	9	9	—	—	—	—
C. P. King	9	9	2	2	1	1
G. B. Wainwright	9	9	2	2	1	1
A. J. Smith	9	7	2	2	1	1

The chairman communicates frequently with the non-executive and executive directors. Directors are also encouraged to discuss any issues or concerns with the chairman at any time throughout the year.

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

Board committees

The principal committees established by the directors are:

Audit committee

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

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

Remuneration committee

As detailed in the remuneration report below.

Nomination committee

This committee comprised the three non-executive directors and the chairman.

Relations with shareholders

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

Summary

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

For the year ended 31st March 2007 the company complied with the Combined Code other than the following points:

- there are three non-executive directors but one does not conform to the definition of independent;
- the non-executive directors do not have specified term contracts;
- the chairman is also an executive director;
- there is no formal arrangement whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

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

Remuneration Report

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

Items marked * have been subject to audit and reported on in the auditors' report on page 12.

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. In accordance with the regulations, a resolution will be proposed at the Annual General Meeting to approve the remuneration report for the financial year ended 31st March 2007.

Remuneration committee

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

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

No advice has been provided by external advisers or consultants.

Remuneration policy

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

Executive directors' emoluments comprise annual salary, an annual bonus, membership of a company pension scheme and other benefits. The committee ordinarily reviews directors' salaries annually, effective from 1st April, taking into account market rates and the performance of the individual and of the company. Policies for benefits (which include company cars and private health insurance) are reviewed regularly and comparisons with other companies are made. Reports and published data are also taken into consideration in setting salary and benefit packages.

Remuneration in 2007

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

Annual bonus

Executive directors participate in a performance-related annual bonus scheme. Bonuses are payable based on the group obtaining profits before tax and exceptional items above a predetermined threshold. Details of annual bonuses payable in respect of 2007 are set out in the table below.

Directors' Emoluments*

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	2007 Total £000	2006 Total £000
B. J. Cooke	126	—	4	80	210	202
J. C. Roby	107	—	14	80	201	195
D. J. Gawthorpe	105	—	8	80	193	180
M. A. Lewis	100	—	9	80	189	180
G. Cooper	95	—	9	80	184	169
C. P. King	—	17	—	—	17	16
G. B. Wainwright	—	17	—	—	17	16
A. J. Smith	—	17	—	—	17	16
	533	51	44	400	1,028	974

Share options*

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

Pension arrangements

Executive directors are members of the Castings P.L.C. Staff Pension and Life Assurance Scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The scheme provides for a pension accrued at 1/60th per year of service to 2005 and 1/80th per year thereafter of final pensionable remuneration on retirement at normal retirement age. Pension contributions are not paid on benefits and only paid on a capped element of bonuses that brings the pensionable remuneration up to the equivalent level of that before they were directors.

Remuneration Report

Directors' pension entitlements*

Name of director	Age at year end	Directors' contributions in the year (note 1)	Increase in accrued pension during the year	Increase in accrued pension during year excluding any increase for inflation (note 2)	Transfer value of increase less directors' contributions	Accumulated total accrued pension at 31 March 2007 (note 3)	Accumulated total accrued pension at 31 March 2006 (note 3)	Transfer value of accrued benefits 31/03/2007	Transfer value of accrued benefits 31/03/2006	Difference in transfer values less contributions
		£	£	£	£	£	£	£	£	£
J. C. Roby	58	8,895	2,238	1,115	5,344	33,231	30,993	390,081	364,371	16,815
D. J. Gawthorpe	45	8,707	2,524	1,235	325	38,080	35,556	241,864	232,816	341
M. A. Lewis	43	7,786	1,911	1,393	1,006	16,193	14,282	97,151	87,927	1,438
G. Cooper	53	6,637	1,719	1,038	3,681	20,491	18,772	187,885	171,751	9,497

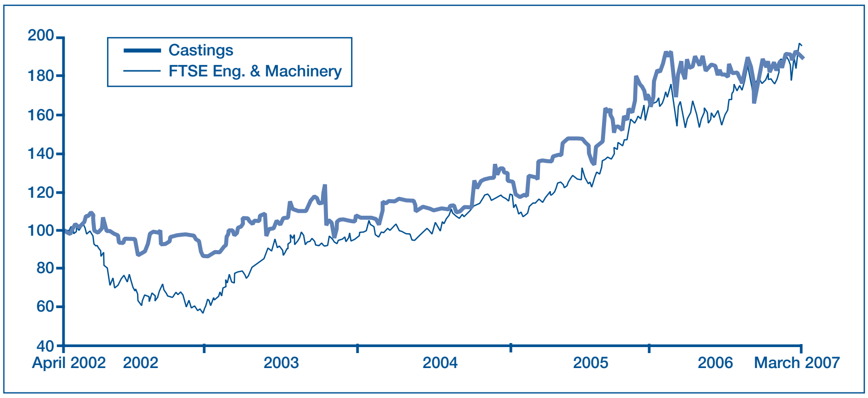
Notes to pension benefits:

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

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

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index — Engineering sub-sector, also measured by total shareholder return. This index has been selected for this comparison because this is the most relevant index in which the company's shares are quoted.



Source: Thomson Financial – Thomson One Banker

Directors' contracts

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

The date of contracts currently in place for the executive directors is 1st April 2007.

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

On behalf of the board

G. B. WAINWRIGHT
Chairman of the remuneration committee

20th June 2007

Statement of Directors' Responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

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

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the group'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 group'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 shareholders of Castings P.L.C.

We have audited the group and parent company financial statements of Castings P.L.C. for the year ended 31st March 2007 which comprise the group income statement, the group and parent company balance sheets, the group cash flow statement, the group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set therein.

We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. Additionally, we report to you whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Business and Financial Review, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st March 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31st March 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Birmingham
20th June 2007

Consolidated Income Statement

for the year ended 31st March 2007

	Notes	2007 £000	2006 £000
Revenue	2	86,230	76,696
Cost of sales		(63,701)	(55,157)
Gross profit		22,529	21,539
Distribution costs		(1,293)	(1,128)
Administrative expenses		(9,676)	(8,850)
Profit from operations	3	11,560	11,561
Finance income	6	1,497	1,140
Profit before income tax		13,057	12,701
Income tax expense	7	(3,647)	(3,946)
Profit for the year attributable to equity holders of the parent company	17	9,410	8,755
Earnings per share			
Basic and diluted	9	21.57p	20.07p

Notes to the accounts are on pages 17 to 25.

Consolidated Balance Sheet

31st March 2007

	Notes	2007 £000	2006 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	35,495	32,566
Financial assets	11	823	1,139
Deferred tax asset	15	—	574
		36,318	34,279
Current assets			
Inventories	12	6,318	5,276
Trade and other receivables	13	21,784	20,449
Cash and cash equivalents		25,452	27,686
		53,554	53,411
Total assets		89,872	87,690
LIABILITIES			
Current liabilities			
Trade and other payables	14	16,212	15,063
Current tax liabilities		883	1,808
		17,095	16,871
Non-current liabilities			
Retirement benefit obligations	5	—	1,913
Deferred tax liabilities	15	2,141	1,781
		2,141	3,694
Total liabilities		19,236	20,565
Net assets		70,636	67,125
Equity attributable to equity holders of the parent company			
Share capital	16	4,363	4,363
Share premium account	17	874	874
Other reserves	17	13	13
Retained earnings	17	65,386	61,875
Total equity		70,636	67,125

The accounts on pages 13 to 25 were approved and authorised for issue by the board of directors on 20th June 2007, and were signed on its behalf by:

B. J. Cooke *Chairman*
J. C. Roby *Finance Director*

Notes to the accounts are on pages 17 to 25.

Consolidated Cash Flow Statement

for the year ended 31st March 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities			
Cash generated from operations		12,582	12,678
Interest received		1,497	1,140
Tax paid		(2,858)	(3,060)
Net cash generated from operating activities		11,221	10,758
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,637)	(4,301)
Purchase of financial assets		(47)	—
Proceeds from disposal of property, plant and equipment		45	9
Proceeds from disposal of financial assets		220	21
Net cash used in investing activities		(9,419)	(4,271)
Cash flow from financing activities			
Dividends paid to shareholders		(4,036)	(3,875)
Net cash used in financing activities		(4,036)	(3,875)
Net increase/(decrease) in cash and cash equivalents		(2,234)	2,612
Cash and cash equivalents at beginning of year (see below)		27,686	25,074
Cash and cash equivalents at end of year (see below)		25,452	27,686
Cash and cash equivalents:		**£000**	**£000**
Short-term deposits	19	24,923	26,725
Cash available on demand	19	529	961
		25,452	27,686

This statement should be read in conjunction with the reconciliation on page 16.

Notes to the accounts are on pages 17 to 25.

Consolidated Statement of Recognised Income and Expense

for the year ended 31st March 2007

	Notes	Year to 31st March 2007 £000	Year to 31st March 2006 £000
Profit for the year		9,410	8,755
Change in fair value of available for sale financial assets		(143)	176
Actuarial (losses)/gains on defined pension schemes	5	(2,500)	1,987
Tax effect of gains and losses recognised directly in equity	15	780	(649)
Total recognised income for the year		7,547	10,269

Supplementary Statement

Reconciliation of profit before income tax to net cash inflow from operating activities

	Notes	Year to 31st March 2007 £000	Year to 31st March 2006 £000
Profit before income tax		13,057	12,701
Depreciation	10	6,663	4,889
Interest received		(1,497)	(1,140)
Excess of employer pension contributions over income statement charge		(4,413)	(2,357)
(Increase)/decrease in inventories		(1,042)	183
Increase in receivables		(1,335)	(3,668)
Increase in payables		1,149	2,070
Net cash inflow from operating activities		12,582	12,678

Notes to the accounts are on pages 17 to 25.

Notes to the Accounts

Basis of accounting

The financial information presented in these accounts has been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the group published by 31st March 2007 and endorsed by the EU. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. Further standards and interpretations may also be issued that will be applicable for financial years beginning on or after 1st April 2007 or that are applicable to later accounting periods but may be adopted early.

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

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

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain assets, and in accordance with applicable Accounting Standards and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the principal group IFRS accounting policies is set out below.

Basis of consolidation

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

Business combinations and goodwill

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

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

Revenue recognition

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

Under IAS 18 'Revenue' the group's revenue has been recognised when goods have been dispatched.

Post-retirement benefits

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

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

Property, plant and equipment

Under IAS 16 '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, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

i. Freehold buildings over 50 years.

ii Leasehold land and buildings over 50 years or the period of the lease, whichever is less.

iii Plant and equipment over a period of 3 to 14 years.

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

Notes to the Accounts

Inventories

In accordance with IAS 2 '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.

Foreign currencies

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

Financial assets

Financial assets are recognised when the group becomes party to the contracts that give rise to them and are classified as available for sale financial assets under the requirements of IAS 39.

Financial risk management

The group's operations bring about a variety of financial risks that include fluctuations in foreign currency, liquidity, interest rates and credit risk.

The board of directors has the overall responsibility for the risk management policies applied by the group.

a) Foreign exchange risk

As a result of the group's geographical presence and operations, it is exposed to foreign currency risks primarily with respect to the euro. The group requires its operating units to apply transactional hedging for highly probable sales receipts and purchase commitments denominated in currencies other than the units' functional currency. Operating units may enter into forward currency contracts for a period of up to twelve months directly with their relationship banks. The group, however, does not hedge account for the cash flow hedge instruments.

b) Interest rate risk

The group maintains a policy to minimise interest rate risk on its deposits. As the group currently has net cash, interest rate risk is managed without the need to use derivative financial instruments.

c) Credit risk

The group regularly reviews its operations to ensure there is no significant concentration of credit risk. The group policy requires appropriate credit checks to be carried out on potential customers prior to trading. The amount of exposure to any counterparty is subject to an approved limit, which is reviewed by local management.

d) Liquidity risk

The group maintains a mixture of short-term, uncommitted and medium-term, committed facilities to ensure a sufficient level of funds are available for its business operations.

e) Price risk

The group does not have derivative financial instruments which expose it to price risk.

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.

In the holding company and its subsidiaries the liability is assessed with reference to the individual company. On consolidation, the liability is assessed with reference to the group as a whole.

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

Dividends

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

Standards, intepretations and amendments to published standards that are not yet effective.

The following standards have not been adopted in the financial statements. In each case the potential impact has been noted.

IFRS 7 Financial Instruments (effective for periods beginning on 1 January 2007) — disclosure impact only.

IFRS 8 Operating Segments (effective for periods beginning on 1 January 2009 not endorsed by the EU) — disclosure impact only.

IAS 1 — Amendment — Capital Disclosures (effective for periods beginning on 1 January 2007) — disclosure impact only.

IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for periods beginning on 1 March 2006) — no impact.

IFRIC 8 Scope of IFRS 2 (effective for periods beginning on 1 May 2006) — no impact.

IFRIC 9 Reassessment of embedded derivatives (effective for periods beginning on 1 June 2006) — no impact.

IFRIC 10 Interim Financial Reporting and Impairment (effective for periods beginning on 1 November 2006) — no impact.

IFRIC 11 & IFRS 2 — Group and Treasury Share Transactions (effective for periods beginning on 1 March 2006) — no impact.

IFRIC 12 Service concession arrangements (effective for periods beginning on 1 January 2008) — no impact.

2 Segment information

	2007 £000	2006 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	30,321	27,034
Sweden	17,145	14,544
Rest of Europe	37,377	34,062
North and South America	1,375	1,056
Other	12	—
	86,230	76,696

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

3 Profit from operations

	2007 £000	2006 £000
This has been arrived at after charging/(crediting):		
Staff costs (note 4)	31,381	28,257
Depreciation of property, plant and equipment	6,663	4,889
Operating lease expense		
— Plant and machinery	216	207
Fees payable to the company's auditor for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiaries	21	20
Tax services	8	12
Profit on disposal of fixed assets	62	44

4 Employee information

Average number of employees during the year was:	2007	2006
Production	900	870
Management and administration	90	95
	990	965

	2007 £000	2006 £000
Staff costs (including directors) comprise:		
Wages and salaries	27,302	24,689
Short-term non-monetary benefits	410	290
Defined contribution pension costs	589	164
Defined benefit pension cost (note 5)	413	726
Employer's national insurance contributions and similar taxes	2,667	2,388
	31,381	28,257

5 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay. These schemes are closed to new entrants. The assets are independent of the finances of the group and are administered by Trustees.

The latest actuarial valuation was made as at 6th April 2005 using the attained age method. It assumed that the rate of return on investments was 6.25% per annum for pre-retirement and 4.75% per annum for post-retirement, and the rate of increase in wages and salaries was 4.4% per annum and price inflation was 2.9%.

The next actuarial valuation is due as at 6th April 2008.

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

Composition of the scheme

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6th April 2005 and updated to 31st March 2007 using the projected unit method by a qualified independent actuary. The service cost has been calculated using the projected unit method. The major assumptions used by the actuary were (in nominal terms):

	2007	2006
Rate of increase in salaries	4.2%	3.9%
Rate of increase of pensions in payment	3.2%	2.9%
Discount rate	5.4%	5.0%
Inflation assumption	3.2%	2.9%

Notes to the Accounts

continued

5 Pension disclosures under IAS 19	2007 **£000**	2006 **£000**
Change in benefit obligation		
Benefit obligation at beginning of year	38,872	33,949
Current service cost	539	552
Interest cost	1,939	1,845
Plan participants' contributions	387	393
Actuarial (gain)/loss	(1,875)	2,674
Benefits paid	(1,088)	(541)
Benefit obligation at end of year	38,774	38,872
Change in plan assets		
Fair value of plan assets at beginning of year	36,959	27,692
Expected return on plan assets	2,065	1,671
Actuarial gain/(loss)	(27)	4,661
Employer contribution	4,826	3,083
Member contributions	387	393
Benefits paid	(1,088)	(541)
Fair value of plan assets at end of year	43,122	36,959
Funded status	4,348	(1,913)
Effect of paragraph 58(b) limit	(4,348)	—
Net amount recognised in the balance sheet	—	(1,913)

	Year to 31 March 2007 **£000**	Year to 31 March 2006 **£000**
Components of pension cost		
Current service cost	539	552
Interest cost	1,939	1,845
Expected return on plan assets	(2,065)	(1,671)
Total pension cost recognised in the income statement (note 4)	413	726
Total pension cost recognised in the statement of recognised income and expense	1,848	1,987

Plan assets

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

	Plan assets at 31 March 2007 **£000**	Plan assets at 31 March 2006 **£000**
Assets category		
Equities	71%	68%
Bonds	22%	26%
Real estate	4%	1%
Other	3%	5%
Other	100%	100%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.5% (2006 – 6.0%) assumption.

5 Pension disclosures under IAS 19 continued

	2007 £000		2006 £000
Actuarial return on plan assets	2,038		6,332
Weighted average assumptions used to determine benefit obligations:			
Discount rate	5.4%		5.00%
Rate of compensation increase	4.2%		3.90%
Weighted average assumptions used to determine net pension cost:			
Discount rate	5.0%		5.40%
Expected long-term return on plan assets	5.5%		6.00%
Rate of compensation increase	3.9%		3.90%

History of experience gains and losses
Financial year ended in:

	2007 £000	2006 £000	2005 £000
Difference between expected and actual return on scheme assets:			
amount	(27)	4,661	1,369
percentage of scheme assets	0%	13%	5%
Experience gains and losses on scheme liabilities:			
amount	(1,875)	2,674	1,266
percentage of scheme assets	(5%)	7%	4%
Total gains and losses:			
amount	1,848	1,987	103
percentage of scheme assets	5%	5%	0%

6 Finance income

	2007 £000	2006 £000
Interest on short-term deposits	1,322	1,081
Income from listed investments	30	35
Other	145	24
	1,497	1,140

7 Income tax

	2007 £000	2006 £000
Corporation tax based on a rate of 30% (2006 – 30%)		
UK Corporation tax		
Current tax on profits for the year	2,225	3,475
Adjustments to tax charge in respect of prior periods	(292)	62
Deferred tax	1,933	3,537
Current year origination and reversal of temporary differences	1,654	532
Prior year deferred tax movement	60	(123)
Taxation on profit on ordinary activities	3,647	3,946
Profit on ordinary activities before tax	13,057	12,701
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	3,917	3,810
Effect of:		
Expenses not deductible for tax purposes	13	207
Franked investment income	(51)	(10)
Adjustment to tax charge in respect of prior periods	(292)	62
Adjustment to deferred tax charge in respect of prior periods	60	(123)
Total tax charge for period	3,647	3,946
Effective rate of tax (%)	27.93	31.07

8 Dividends

	2007 £000	2006 £000
Final paid of 6.67p per share for the year ended 31st March 2006 (2005 – 6.35p)	2,910	2,771
Interim paid of 2.58p per share (2006 – 2.53p)	1,126	1,104
	4,036	3,875

The directors are proposing a final dividend of 6.94 pence (2006 – 6.67 pence) per share totalling £3,028,000 (2006 – £2,910,000). This dividend has not been accrued at the balance sheet date.

9 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £9,410,000 (2006 – £8,755,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2006 – 43,632,068).

There are no share options, hence the diluted earnings per share is the same as above.

10 Property, plant and equipment

	Land and buildings £000	Plant and other equipment £000	Total £000
Cost			
At 1st April 2006	10,955	61,237	72,192
Additions during year	1,561	8,076	9,637
Disposals	—	(1,138)	(1,138)
At 31st March 2007	12,516	68,175	80,691
Depreciation and amounts written off			
At 1st April 2006	1,712	37,914	39,626
Charge for year	306	6,357	6,663
Disposals and adjustments	—	(1,093)	(1,093)
At 31st March 2007	2,018	43,178	45,196
Net book values			
At 31st March 2007	10,498	24,997	35,495
At 31st March 2006	9,243	23,323	32,566
Cost			
At 1st April 2005	9,812	60,026	69,838
Additions during year	1,143	3,158	4,301
Disposals	—	(1,947)	(1,947)
At 31st March 2006	10,955	61,237	72,192
Depreciation and amounts written off			
At 1st April 2005	1,525	35,150	36,675
Charge for year	187	4,702	4,889
Disposals and adjustments	—	(1,938)	(1,938)
At 31st March 2006	1,712	37,914	39,626
Net book values			
At 31st March 2006	9,243	23,323	32,566
At 31st March 2005	8,287	24,876	33,163

The net book value of group land and buildings includes £1,625,000 (2006 – £1,625,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2006 – £359,000).

11 Financial assets

	2007 £000	2006 £000
Listed investments at market value	823	1,139

12 Inventories

	2007 £000	2006 £000
Raw materials	1,458	1,349
Work in progress	2,672	2,152
Finished goods	2,188	1,775
	6,318	5,276

13 Trade and other receivables

	2007 £000	2006 £000
Due within one year:		
Trade receivables	18,368	16,419
Other receivables	1,778	1,624
Prepayments	1,638	2,406
	21,784	20,449

14 Trade and other payables

	2007 £000	2006 £000
Current trade and other payables:		
Trade payables	8,004	6,892
Social security	1,682	1,416
Other payables	326	331
Accruals and deferred income	6,200	6,424
	16,212	15,063

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006 – 30%). The movement on the deferred tax account is shown below:

Deferred tax — net

	2007 £000	2006 £000
At 1st April 2006	1,207	149
Taken to equity	(780)	649
Charge	1,714	409
At 31st March 2007	2,141	1,207

Deferred tax assets in 2006 have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

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

Deferred tax liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1st April 2006	3,330	(1,549)	1,781
Charged to income statement	(223)	626	403
Charged to statement of recognised income and expense	—	(43)	(43)
At 31st March 2007	3,107	(966)	2,141

Notes to the Accounts

continued

15 Deferred tax continued
Deferred tax assets

	Pensions £000	Total £000
At 1st April 2006	574	574
Taken to equity	737	737
Taken to income statement	(1,311)	(1,311)
At 31st March 2007	—	—
At 31st March 2006	574	574

The utilisation of the deferred tax asset is dependent on future taxable profits being in excess of the profits arising from the reversal of existing taxable temporary differences.

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

	2007 £000	2006 £000
Tax on actuarial (gains)/losses	(737)	596
Tax on change in fair value of available for sale financial assets	(43)	53
Tax on items taken directly to reserves	(780)	649

16 Share capital

	2007 £000	2006 £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

17 Statement of changes in shareholders' equity

	Share capital £000	Share premium (a) £000	Capital redemption reserve (b) £000	Retained earnings (c) £000	Total equity £000
At 1st April 2006	4,363	874	13	61,875	67,125
Profit retained	—	—	—	9,410	9,410
Dividends	—	—	—	(4,036)	(4,036)
Changes in fair value of available for sale financial assets	—	—	—	(143)	(143)
Actuarial gains/(losses) on pension schemes	—	—	—	(2,500)	(2,500)
Tax on items taken to reserves	—	—	—	780	780
At 31st March 2007	4,363	874	13	65,386	70,636
At 1st April 2005	4,363	874	13	55,481	60,731
Profit retained	—	—	—	8,755	8,755
Dividends	—	—	—	(3,875)	(3,875)
Changes in fair value of available for sale financial assets	—	—	—	176	176
Actuarial gains on pension schemes	—	—	—	1,987	1,987
Tax on items taken to reserves	—	—	—	(649)	(649)
At 31st March 2006	4,363	874	13	61,875	67,125

a) Share premium — Amount subscribed for share capital in excess of nominal value.
b) Capital redemption reserve — Amounts transferred from share capital on redemption of issued shares.
c) Retained earnings — Cumulative net gains and losses recognised in the consolidated income statement.

18 Commitments

	2007 £000	2006 £000
Capital commitments contracted for by the group but not provided for in the accounts	3,283	1,637

19 Financial instruments

a) Foreign exchange risk

The group had no outstanding foreign currency forward contracts at 31st March 2007 (2006 – £Nil).

b) Interest rate risk

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

	Floating rate assets 2007	Fixed rate assets 2007	Interest free assets 2007	Total
	£000	**£000**	**£000**	**£000**
Sterling	430	24,741	13,151	38,322
$US	1	—	—	1
Euro	98	182	5,217	5,497
	529	24,923	18,368	43,820

	Floating rate assets 2006	Fixed rate assets 2006	Interest free assets 2006	Total
	£000	**£000**	**£000**	**£000**
Sterling	875	25,424	11,175	37,474
$US	—	—	55	55
Euro	86	1,301	5,189	6,576
	961	26,725	16,419	44,105

	Interest free liabilities 2007	Interest free liabilities 2006
	£000	**£000**
Sterling	7,669	6,406
Euro	335	486
	8,004	6,892

Fixed rate assets attracted interest rates between 5% to 5.56% (2006 – 4.5% to 4.62%) on sterling deposits and interest rates of 3.39% (2006 – 2.36%) on euro deposits.

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

c) Credit risk

All cash and cash equivalents are held with financial institutions. The directors do not consider there to be any concentration of credit risk.

d) Liquidity risk

The group has unused bank overdraft and foreign exchange facilities amounting to £10,000,000 (2006 – £10,000,000) which are reviewed on an annual basis.

Five Year Review — unaudited

For the years ended 31st March	2007 IFRS **£000**	2006 IFRS **£000**	2005 IFRS **£000**	2004 UK GAAP **£000**	2003 UK GAAP **£000**
Trading results					
Revenue	86,230	76,696	69,037	61,176	59,895
Profit before tax	13,057	12,701	9,632	8,693	5,694
Profit after tax	9,410	8,755	6,792	6,079	4,145
Dividends	4,036	3,875	3,704	3,678	3,573
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	66,273	62,762	56,368	54,772	52,371
Total equity	70,636	67,125	60,731	59,135	56,734
Assets					
Property, plant and equipment	35,495	32,566	33,163	31,043	32,067
Financial assets	823	1,139	984	704	704
Deferred tax asset	—	574	1,877	—	—
	36,318	34,279	36,024	31,747	32,771
Current assets	53,554	53,411	47,314	43,617	42,669
Total liabilities	(19,236)	(20,565)	(22,607)	(16,229)	(18,706)
	70,636	67,125	60,731	59,135	56,734
Dividends and earnings					
Pence per share paid and proposed	9.52	9.20	8.79	8.43	8.19
Number of times covered	2.3	2.3	1.8	1.6	1.2
Earnings per share — basic and diluted	21.57p	20.07p	15.57p	13.93p	9.50p

The main changes from UK GAAP to IFRS relate to pensions, financial assets and taxation.

Parent Company Balance Sheet

31st March 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	4	13,370	13,749
Investments	5	6,104	6,420
Current assets			
Stocks	6	3,780	3,104
Debtors	7	19,589	15,934
Short-term deposits		15,892	19,875
Cash at bank and in hand		428	168
		39,689	39,081
Creditors — amounts falling due within one year	8	12,524	12,337
Net current assets		27,165	26,744
Total assets less current liabilities		46,639	46,913
Provisions for liabilities	9	(97)	—
		46,542	46,913
Capital and reserves			
Called up share capital	10	4,363	4,363
Share premium	11	874	874
Capital redemption reserve	11	13	13
Profit and loss account	11	41,292	41,663
Shareholders' funds		46,542	46,913

The parent company accounts on pages 27 to 32 were approved and authorised for issue by the board of directors on 20th June 2007, and were signed on its behalf by:

B. J. Cooke *Chairman*

J. C. Roby *Finance Director*

Notes to the accounts are on pages 28 to 32.

Notes to the Parent Company Accounts

The Directors' report is on pages 5 to 6 of the Annual Report and Accounts

1 Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention except for revaluation of certain financial instruments as required by FRS26 and in accordance with applicable UK Accounting Standards and the Companies Act 1985.

Depreciation

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

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

Freehold land is not depreciated.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services in accordance with FRS 17. In the company, the defined benefit schemes are treated as multi-employee schemes.

Turnover

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

Stocks

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

Foreign currencies

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

Deferred tax

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

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

Investments

Listed investments are accounted for at fair value in accordance with FRS 26 'Financial Instruments: Measurement'. Investments in subsidiaries are held at cost and reviewed for impairment annually.

Financial instruments

a) Foreign exchange risk

As a result of the company's geographical presence and operations, it is exposed to foreign currency risks primarily with respect to the euro. The company may enter into forward currency contracts for a period of up to twelve months directly with its relationship banks. The company, however, does not hedge account for the cash flow hedge instruments,

b) Interest rate risk

The company maintains a policy to minimise interest rate risk on its deposits. As the company currently has net cash, interest rate risk is managed without the need to use derivative financial instruments.

c) Credit risk

The company regularly reviews its operations to ensure there is no significant concentration of credit risk. The policy requires appropriate credit checks to be carried out on potential customers prior to trading. The amount of exposure to any counterparty is subject to an approved limit, which is reviewed by local management.

d) Liquidity risk

The company maintains a mixture of short-term, uncommitted and medium-term, committed facilities to ensure a sufficient level of funds are available for its business operations.

e) Price risk

The company does not have derivative financial instruments which expose it to price risk.

2 Company profit and loss account

Castings P.L.C. has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The company's loss after tax was £228,000 (2006 – profit £606,000).

The profit and loss account includes £21,000 (2006 – £20,000) for audit fees.

3 Dividends

	2007 £000	2006 £000
Final paid of 6.67p per share for the year ended 31st March 2006 (2005 – 6.35p)	2,910	2,771
Interim paid of 2.58p per share (2006 – 2.53p)	1,126	1,104
	4,036	3,875

The directors are proposing a final dividend of 6.94 pence (2006 – 6.67 pence) per share totalling £3,028,000 (2006 – £2,910,000). This dividend has not been accrued at the balance sheet date.

4 Fixed assets

	Land and buildings £000	Plant and other equipment £000	Total £000
Cost			
At 1st April 2006	7,784	22,810	30,594
Additions during year	1,455	667	2,122
Disposals	—	(223)	(223)
At 31st March 2007	9,239	23,254	32,493
Depreciation and amounts written off			
At 1st April 2006	1,275	15,570	16,845
Charge for year	219	2,274	2,493
Disposals and adjustments	—	(215)	(215)
At 31st March 2007	1,494	17,629	19,123
Net book values			
At 31st March 2007	7,745	5,625	13,370
At 31st March 2006	6,509	7,240	13,749

The net book value of land and buildings includes £1,225,000 (2006 – £1,225,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2006 – £359,000).

5 Investments

	2007 £000	2006 £000
Subsidiary companies		
At cost	5,281	5,281
Listed investments at market value	823	1,139
	6,104	6,420

The company owns 100% of the issued share capital of William Lee Limited, CNC Speedwell Limited and W.H. Booth & Co. Limited, companies which operate in the United Kingdom. William Lee Limited supplies spheroidal graphite iron castings from Dronfield, Sheffield and CNC Speedwell Limited is a machinist operation. W.H. Booth & Co. Limited does not trade and is dormant.

Notes to the Parent Company Accounts

continued

6 Stocks	2007 £000	2006 £000
Raw materials	406	415
Work in progress	1,886	1,491
Finished goods	1,488	1,198
	3,780	3,104

7 Debtors	2007 £000	2006 £000
Due within one year:		
Trade debtors	13,596	12,407
Amounts owed by subsidiary companies	3,348	255
Other debtors	1,769	1,621
Prepayments	876	1,544
Deferred tax asset (note 9)	—	107
	19,589	15,934

8 Creditors	2007 £000	2006 £000
Due within one year:		
Trade creditors	4,277	3,673
Amounts owed to subsidiary companies	2,782	2,578
Corporation tax	361	766
Other taxation and social security	758	757
Other creditors	182	183
Accruals	4,164	4,380
	12,524	12,337

9 Provisions for liabilities

	2007 £000	2006 £000
Deferred taxation		
At 1st April 2006	(107)	279
Taxation deferred this year	204	(386)
At 31st March 2007	97	(107)
Deferred tax is provided as follows:		
Accelerated capital allowances	1,006	1,390
Other timing differences	(909)	(1,497)
	97	(107)

The deferred tax asset has been shown in debtors (note 7).

10 Called up share capital	2007 £000	2006 £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

11 Reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1st April 2006	4,363	874	13	41,663	46,913
(Loss)/profit retained	—	—	—	(228)	(228)
Changes in fair value of investments	—	—	—	(143)	(143)
At 31st March 2007	4,363	874	13	41,292	46,542

12 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the year	3,808	4,481
Changes in fair value of investments	(143)	176
Dividends	(4,036)	(3,875)
Net addition to shareholders' funds	(371)	782
Opening shareholders' funds	46,913	46,131
Closing shareholders' funds	46,542	46,913

13 Employee information

	2007	2006
Average number of employees during the year was:		
Production	443	450
Management and administration	32	32
	475	482

	2007 £000	2006 £000
Staff costs (including directors) comprise:		
Wages and salaries	13,235	12,696
Short-term non-monetary benefits	209	208
Defined contribution pension cost	161	156
Defined benefit pension cost	589	522
Employer's national insurance contributions and similar taxes	1,272	1,203
	15,466	14,785

14 Pensions

It is not possible to identify the company's share of the underlying assets and liabilities in respect of the group defined benefit schemes on a consistent and reasonable basis. Contributions to the schemes by the company are based on professional and independent actuarial advice. During the year the contributions payable by the company to the funds amounted to £589,000 (2006 – £522,000). The last valuation was performed with an effective date of 6th April 2005. Further details of the schemes are contained in note 5 of the consolidated accounts of Castings P.L.C.

15 Capital commitments

	2007 £000	2006 £000
Authorised, but not provided in the accounts	203	628

16 Financial instruments

a) Foreign exchange risk

The company had no outstanding foreign currency forward contracts at 31st March 2007 (2006 – £nil).

b) Interest rate risk

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

	Floating rate assets 2007 £000	Fixed rate assets 2007 £000	Interest free assets 2007 £000	Total £000
Sterling	361	15,710	9,828	25,899
$US	1	—	—	1
Euro	66	182	3,768	4,016
	428	15,892	13,596	29,916

	Floating rate assets 2006 £000	Fixed rate assets 2006 £000	Interest free assets 2006 £000	Total £000
Sterling	82	18,786	8,621	27,489
$US	—	—	55	55
Euro	86	1,089	3,731	4,906
	168	19,875	12,407	32,450

	Interest free liabilities 2007 £000	Interest free liabilities 2006 £000
Sterling	4,080	3,187
Euro	197	486
	4,277	3,673

Fixed rate assets attracted interest rates between 5% to 5.56% (2006 – 4.5% to 4.62%) on sterling deposits and interest rates of 3.39% (2006 – 2.36%) on euro deposits.

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

c) Credit risk

All cash and cash equivalents are held with financial institutions. The directors do not consider there to be any concentration of credit risk.

d) Liquidity risk

The company has unused bank overdraft and foreign exchange facilities amounting to £5,500,000 (2006 – £5,500,000) which are reviewed on an annual basis.

Notice of Meeting

Notice is hereby given that the one hundredth Annual General Meeting of Castings P.L.C. (the "Company") will be held at Holiday Inn, Birmingham M6, Junc. 7, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on Tuesday, 14th August 2007 at 3.30 p.m. for the following purposes:

As ordinary business

1 To receive and adopt the directors' report and audited accounts for the year ended 31st March 2007.

2 To declare a final dividend.

3 To re-elect Mr D. J. Gawthorpe as a director.

4 To re-elect Mr M. A. Lewis as a director.

5 To re-elect Mr C. P. King as a director.

6 To approve the directors' remuneration report for the year ended 31st March 2007.

7 To reappoint BDO Stoy Hayward LLP as auditors of the Company at a fee to be agreed with the directors.

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

As an ordinary resolution

8 THAT:

(a) the directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in the said Section 80) provided that the aggregate nominal value of such securities shall not exceed £636,793, which represents approximately 14.6% of the current issued share capital of the Company;

(b) the foregoing authority shall expire on 13th August 2012 save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired;

(c) the foregoing authority shall be in substitution for the authorities given to the directors under Section 80 of the Companies Act 1985 on 15th August 2006, which authorities are accordingly hereby revoked;

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

As special business
As special resolutions

9 THAT the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 7 set out in the notice convening this meeting as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited:

(a) to allotments in connection with an offer of equity securities to the ordinary shareholders of the Company where the securities respectively attributable to the interests of such holders are proportionate (as nearly as may be and subject to such exclusions or other arrangement as the directors may consider appropriate, necessary or expedient to deal with any fractional entitlements or with any legal or practical difficulties in respect of overseas holders or otherwise) to the respective numbers of ordinary shares then held by such shareholders; and

(b) to the allotment (otherwise than pursuant to subparagraph (a) of this resolution) of equity securities having, in the case of relevant shares (as defined in Section 94 of the Companies Act 1985), an aggregate nominal amount, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal amount not exceeding £218,160, which represents approximately 5% of the current issued share capital of the Company,

and shall expire at the conclusion of the next Annual General Meeting following the date of this resolution save that the Company shall be entitled before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163 of the Companies Act 1985) of any of its ordinary shares of 10p each (the "ordinary shares"), provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844 representing 9.99% of the issued share capital at 31st March 2007;

(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 27th July 2007. Assuming the final dividend is approved by the members, the dividend will be paid on 17th August 2007.

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

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

20th June 2007

Note:
Any member of the company entitled to attend and vote at this meeting may appoint one or more proxies, who need not also be a member, to attend and vote, on a poll, in his stead. The instrument appointing a proxy, including authority under which it is signed (or a notarially certified copy of such authority), must be deposited at the offices of the Company's registrars: Capita Registrars, The Registry, 34 Beckenham Road, Kent, BR3 4TU, not less than 48 hours before the time appointed for the meeting.
To have the right to attend and vote at the Annual General Meeting a person must be entered on the register of members on or before 6.00 p.m. on 12th August 2007 (being not more than 48 hours prior to the time fixed for the meeting).

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