CASTINGS P.L.C.

Annual Report 2011

Contents

Directors

Executive Directors

Brian Cooke
Chairman
Aged 71, he joined the company in 1960 after attending foundry college and serving an engineering apprenticeship. He worked in all departments of the company and was appointed a director in 1966, becoming joint managing director in 1968 and managing director in 1970. He ceased to be chief executive in 2007. He has been Chairman since 1983.

David Gawthorpe
Chief Executive Officer
Aged 49, he joined the company in 1984 and became local technical director at Brownhills in 1994. He was appointed a director in 2003 and became chief executive in April 2007 and is the director with environmental and human resource responsibility.

Steve Mant
Finance Director
Aged 35, he joined the company in June 2010 and was appointed company secretary and finance director on 1 November. Prior to joining the company he had been working for BDO LLP specialising in manufacturing, international and listed companies.

Mark Lewis
Managing Director — CNC Speedwell Ltd
Aged 47, he joined CNC Speedwell in 1990 becoming their managing director in 1996. He has overseen the machining requirements for the group and was appointed a director in 2003.

Graham Cooper
Managing Director — William Lee Ltd
Aged 57, he joined William Lee in 1977 becoming operations director there in 2003 and their managing director in 2005, when he was appointed to the main board.

Non-Executive Directors

Gerard Wainwright
Non-executive Director
Aged 61, he was appointed a director in 1998 and is the senior independent director. He has been chief executive of a wide range of manufacturing companies for over twenty-five years together with international experience. He is chairman of the remuneration committee and a member of the audit and nomination committees.

Paul King
Non-executive Director
Aged 74, he was appointed a director in 1998 and is an independent director. He retired from practice as a partner with Coopers & Lybrand and has been a member of the boards of a number of companies. He is chairman of the audit committee and is regarded as the financial expert of that committee and is also a member of the remuneration and nomination committees.

Tony Smith
Non-executive Director
Aged 64, 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
Statement of full year results

The financial year under review was a period of recovery from a low level of activity rising to levels not seen since year ending March 2008.

Our turnover increased from £60.6m to a record level of £105.4m. The turnover has been affected by the rapid rise in raw material costs which accounts for some £5.7m of turnover.

It was reported at the half year that trading was improving; this has continued and we are now operating at pre-recession levels and in the machining business at levels above those in 2008.

During this period we are pleased to report that we have re-employed a considerable number of people we had made redundant. We have also taken on many new employees. I wish to thank all our employees for their contribution to the recovery and to welcome new employees. It is sincerely hoped we can enjoy a period of sustained growth in a somewhat uncertain economic outlook. Our major customers appear to be optimistic about the future and forecast increased volumes.

Foundry Production

We are now operating at the Castings Brownhills site at previous levels of production and at William Lee we are producing at record levels with the new foundry operating at near capacity levels. Overall we still have capacity available for future growth. We had considerable costly logistics problems during the year due to the rapid changes in customer schedules. This caused excessive transport costs and higher stock levels to satisfy customer's demands, however I am pleased to report that we are now back to on-time delivery and we are getting our stocks under control.

CNC Speedwell – Machining Business

I am pleased to report CNC had a record year which is very satisfying thus justifying the considerable investment made in the company. This has been achieved by obtaining new customers, machining third party castings and an improvement in traditional business. The company will continue to invest when opportunities arise. Again the management and staff have reacted well to the rapid changes in customer demands.

Future Investments

We are at advanced stages of obtaining planning permission to build a warehouse and possible manufacturing area on land we acquired three years ago. This will improve our logistics, stock control and also improve traffic congestion on the main road at our Brownhills sites. The estimated cost will be £5m and it is hoped the project will be complete by the end of the year.

Icelandic Banks

As reported in the business and financial review, during the year we have received £0.86m from the administrators of the UK subsidiaries of the Icelandic Banks. We have now recovered a total of £2.06m and it is hoped further payments will be received.

Dividend

I am pleased to report the directors recommend an increase in the final dividend to 8.04 pence per share after two years of no increases. It is gratifying that due to careful cash management and the policy of maintaining a good cash position we did not reduce dividends during the recession. We hope the shareholders support our view on cash management.

Outlook

Despite various adverse reports, our customers are forecasting stable or increased demands and if these forecasts are converted to sales we will enjoy further growth in the company and our investments in both foundry production and machining capacity will improve returns.

In conclusion, I would again like to thank all our employees for their continued support and understanding through a period of considerable change.

B. J. COOKE

Chairman

22 June 2011

Business and Financial Review

We have seen further increases in demand during the financial year and we have added further shifts to match the increased order levels.

Revenue has increased by 74% to £105 million of which 60% was exported. The despatch weight of castings to third party customers was 50,600 tonnes, being an increase of 18,800 tonnes from the previous year. Revenue from the machinist operation, CNC Speedwell, increased by 151%.

The speed at which volumes increased did result in some temporary inefficiencies in production which, along with raw material price increases, have impacted on margins when compared to pre-recession levels.

The use of the new foundry at William Lee continues to increase as volumes rise.

During the year we have received £0.86 million from the administrators of the UK subsidiaries of the Icelandic banks. This brings the total sums received to-date to £2.06 million which is £0.2 million in excess of the original estimate of recoverable amounts. Given the uncertainty over the quantum and timing of any possible further receipts, no allowance has been made for future recoverable amounts.

The level of finance income again reflects the prevailing low interest rates during the year. The overall cash position at the balance sheet date has reduced by £1 million as the group has invested £9 million in plant and equipment during the year which has off-set the £13 million net cash generated from operating activities (excluding dividends paid of £4.4 million).

The pension valuation showed a further improvement in the surplus, on an IAS 19 basis, to £6.7 million. This continues to not be recognised on the balance sheet due to the restriction of recognition of assets.

Overall the group returned a profit before taxation of £15.5 million for the year, which includes a £0.4 million credit in respect of the defined benefit pension schemes (as set out in note 6) in accordance with IAS 19.

The directors are recommending a final dividend that will be paid August which, with the interim dividend paid in January, will result in the return of £4.7 million to shareholders.

Directors' Report

The directors submit their Annual Report and the Audited Accounts for the year ended 31 March 2011.

Trading activities

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

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

Dividends

An interim dividend of 2.71 pence per share was paid in January 2011. The directors now recommend a final dividend of 8.04 pence per share payable on 19th August 2011 to shareholders on the register on 22nd July 2011, making a total distribution of 10.75 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2010 – 43,632,068) ordinary shares of 10 pence each with voting rights. There are no restrictions on voting rights.

There are no restrictions on the transfer of shares in the company and in particular there are no limitations on the holding of shares and no requirements to obtain the approval of the company, or of other shareholders, for a transfer of shares.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company's registrar, Capita Registrars, or to the company directly.

Subject to legislation and to any resolution of the company in general meeting, all unissued shares are at the disposal of the board who may allot, grant options over or otherwise dispose of them to such persons, on such terms and at such times as it may think fit.

The company is authorised to purchase its own shares.

Directors

The directors of the company are listed on page 2 and in addition J. C. Roby was a director until 31 October 2010.

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

	Beneficial Holdings	
	2011	2010
B. J. Cooke	1,955,386	1,953,986
A. J. Smith	103,079	103,079
G. B. Wainwright	59,261	30,000
D. J. Gawthorpe	28,296	28,296
G. Cooper	8,000	8,000
M. A. Lewis	3,025	3,025
C. P. King	—	—
S. J. Mant	—	—

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

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

G. B. Wainwright
G. Cooper } by rotation

S. J. Mant – having been appointed since the last Annual General Meeting.

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

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

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

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

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

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

Directors' Report

continued

The business of the company is managed by the board who may exercise all such powers of the company as are not by legislation or by the company's Articles required to be exercised in general meeting. The board may make such arrangements as it thinks fit for the management and transaction of the company's affairs and may for that purpose appoint local boards, managers and agents and delegate to them any of the powers of the board (other than the power to borrow and make calls on shares) with power to sub-delegate.

Other than the directors' service contracts the directors have no interests in any other contract of the business.

Substantial shareholdings

The directors have been notified that the following investors, including directors, held interests in 3% or more of the company's issued share capital at 22nd June 2011:

	Number	%
Aberforth Partners' Clients	6,995,285	16.0
Delta Lloyd Asset Management NV*	6,008,062	13.8
Ruffer LLP	4,146,172	9.5
B. J. Cooke	1,955,386	4.5
Hamstall Investments Inc.	1,800,000	4.1
Rathbone Investment Management Ltd	1,600,000	3.7

* The Delta Lloyd Asset Management NV holding was previously disclosed as Aviva plc & subsidiaries.

Business review

The Chairman's Statement on page 3, the Business and Financial Review on page 4, the Corporate Governance Statement on page 13, and the Notes to the Accounts on pages 24 to 43 provide detailed information relating to the group, the operation and development of the business and the results and financial position for the year ended 31st March 2011.

Future prospects

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

Special business

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

Directors' authority to allot shares

Approval will be sought for a special resolution to renew the authority given to the directors to allot shares in the company. The present authority was granted on 18th August 2010 and under the Companies Act must be renewed at least every five years. Authority will also be sought from shareholders to allow the directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital.

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

Both authorities are to be for the period commencing on the date of passing of the Resolution until 16th August 2015 but will be put to annual shareholder approval. The proposed Resolutions are set out as items 8 and 9 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2010, 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 2011. 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.

Notice of meetings

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations state that the notice period required for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (AGMs will continue to be held on at least 21 clear days' notice.)

The directors seek such approval for meetings other than annual general meetings as they believe it is in the best interests of the Company to have the ability to use the shorter notice period. It is intended that this flexibility will only be used for non routine business and where merited in the interests of the shareholders as a whole. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

New Articles of Association

The directors seek approval to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of the implementation of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in an Appendix document. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform the language of the New Articles with that used in the model articles for public companies, have not been noted in an Appendix within the Shareholder Information section on page 55.

Fixed assets

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

Employee involvement

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

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

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

Health and safety

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

Supplier payment policy

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The group does not follow any code or standard on payment practice. Individual operating businesses within the group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The number of days' purchases outstanding for payment by the group at the year end was 71 (2010 – 58).

Financial instruments

Details of the use of financial instruments by the group are contained in note 19 and in note 4(b) in the Notes to the Accounts.

Articles of Association

Any amendments to the Articles of Association have to be adopted by the members by a special resolution in general meeting. The current articles were adopted in January 1989.

Auditors

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

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

Significant agreements

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

Principal risks and uncertainties

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

Corporate Governance

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

Cautionary statement

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

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

Directors' Report

continued

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

Approval of Directors' Report and Responsibility Statement

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

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

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

By order of the board

B. J. COOKE

Chairman

22nd June 2011

Review of Principal Risks and Uncertainties

Risk

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

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

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

Foreign exchange risk

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

Operational and commercial risks

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

Market competition

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

Customer concentration, programme dependencies and relationships

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

Equipment

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

Suppliers

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

Commodity and energy pricing

The principal metal raw materials used by the group's businesses are steel scrap and various alloys. The most important alloy raw material inputs are premium graphite, magnesium ferrosilicon, nickel and molybdenum. Wherever possible, prices and quantities (except steel) are secured through long-term agreements with suppliers. In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses. The group is exposed to price level changes in copper and molybdenum, which have seen dramatic increases in recent years. Where possible, the group seeks to mitigate the financial impact through the application of surcharges, although the success of this approach varies by customer. Energy contracts are locked in for at least twelve months, although renegotiation risks remain at contract maturity dates but again this is mitigated through the application of surcharges. However, energy contracts relate to specified usage and if not obtained can result in penalties.

Information technology and systems reliability

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

Short-term deposits

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

Review of Principal Risks and Uncertainties *continued*

Product quality and liability

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

Environmental risk

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

Pension scheme funding

The fair value of the assets and liabilities of the group's defined benefit pension schemes is substantial. As at 31st March 2011 the schemes were in surplus on an IAS 19 basis. Further details are set out in note 6 to the accounts. The potential risks and uncertainties are mitigated by careful management and continual monitoring of the schemes and by appropriate and timely action to ensure as far as possible that the defined benefit pension liabilities do not increase disproportionately. The company works closely with the scheme trustees and specialist advisers in managing the inherent risks of such schemes.

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

Trade credit

The ability of our suppliers to maintain credit insurance on the group and its principal operating businesses is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. A reduction in the level of cover available to suppliers may impact on our trading relationship with them and may have a significant effect on cash flows.

Corporate Social Responsibility

General

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

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

The environment

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

Specifically, the company is committed to:

- Implementing and maintaining an Environmental Management System in accordance with the ISO 14001 standard.
- Establishing procedures to review the impact of current or new activities or processes on the environment.
- Reviewing audit results and initiating corrective action to address any deficiencies found within the group's environmental management system, policy, objectives or targets.
- Using techniques to avoid, reduce or control pollution.
- Complying with all relevant legal requirements, process, planning and discharge authorisations, as appropriate to its operations.
- Pursuing best practice techniques in the use of energy and raw materials.
- Encouraging the beneficial reuse, recycling and recovery of its waste products.
- Ensuring that environmental issues are considered when making decisions to invest in capital plant and in the planning and controlling of manufacturing processes.
- Promoting environmental awareness throughout the group and ensuring that personnel whose activities have the potential to cause a significant impact on the environment receive appropriate training.
- Ensuring that suppliers and contractors adopt environmental practices on site that are compatible with our exacting environmental standards.
- Establishing and maintaining adequate contingency procedures and plans to deal effectively with any accidental discharge or emission of pollutants.
- Communicating our Environmental Policy Statement to any persons working on our behalf and any interested parties.

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

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

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

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

Employees

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

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

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

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

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

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

Health and Safety

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

- To provide and maintain safe and healthy working conditions complying with all statutory conditions.
- To provide training and instruction to enable employees to perform their work safely and efficiently.
- To make available all necessary safety devices and protective equipment and to supervise their use.
- To maintain a constant and continuing interest in health and safety matters applicable to the group's activities, consulting and involving employees wherever possible.

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

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

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

Corporate Governance

General

Castings P.L.C. recognises the importance of high standards of Corporate Governance. The board has considered the principles and provisions of the Combined Code published in 2008 and will continue to adhere to them where it is in the interests of the business, and of shareholders, to do so.

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 2011.

Internal financial control

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

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

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

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

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

Auditors' independence

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

Environment

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

Directors' conflicts of interest

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

The board has conducted a review of actual or possible conflicts of interest in respect of each director. At its meeting on 2nd October 2008, the board considered the process for identifying current conflicts, authorised conflicts that have been identified and stipulated conditions in accordance with the guiding principles and agreed a process to identify and authorise future conflicts. In practice, directors are asked to consider and disclose actual or potential conflicts at the beginning of each meeting and as and when a matter arises.

Corporate Governance

continued

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

Director	Board Eligible to attend	Board Attended	Audit Committee Eligible to attend	Audit Committee Attended	Remuneration Committee Eligible to attend	Remuneration Committee Attended
B. J. Cooke	8	7	—	—	—	—
D. J. Gawthorpe	8	8	—	—	—	—
S. J. Mant (appointed 1 November 2010)	3	3	—	—	—	—
J. C. Roby (retired on 31 October 2010)	5	5	—	—	—	—
M. A. Lewis	8	8	—	—	—	—
G. Cooper	8	8	—	—	—	—
C. P. King	8	7	2	2	1	1
G. B. Wainwright	8	8	2	2	1	1
A. J. Smith	8	8	2	2	1	1

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

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

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

Board of directors

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

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

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

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

Board committees

The principal committees established by the directors are:

Audit committee

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

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

Remuneration committee

As detailed in the remuneration report on page 15.

Nomination committee

This committee comprised the three non-executive directors and is chaired by G. B. Wainwright. The chairman may attend meetings as appropriate to the business in hand but is not a member of the committee. The committee met once during the year.

Relations with shareholders

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

Going Concern

The directors have assessed the future funding requirements of the group and the company and compared them to the level of funding available. Details of the cash position are set out in note 19. to the accounts. The group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are also set out in notes 17 and 19 to the accounts.

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

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

Summary

The board takes its responsibilities seriously even though there are a number of 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 2011 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. Although these directors have served for more than ten years the board recognises the value they bring and believes it is important too that shareholders have the reassurance of non-executives on the board whose independence is beyond question.
- The non-executive directors do not have specified term contracts.
- The chairman is also regarded as an executive director but on reduced hours. However, the chief executive is responsible for the day to day running of the group with direct responsibility for the Brownhills site and through the managing directors of William Lee and CNC Speedwell. The chairman concentrates on the effective working of the board and overall group strategies and remains a high level contact with our main customers.
- The role of the financial director and company secretary are fulfilled by the same person as there is no one else within the group qualified to do the job and it would not be a full-time position. The board monitors the effectiveness of this arrangement annually.
- There is no formal arrangement whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

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

Remuneration Report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. The report describes how the board has applied the principles relating to directors' remuneration. As required by the Act, a resolution will be proposed at the Annual General Meeting to approve the remuneration report for the financial year ended 31st March 2011.

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

Remuneration committee

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

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

No advice has been provided by external advisers or consultants.

Remuneration policy

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

Executive directors' emoluments comprise annual salary, an annual bonus, membership of a company pension scheme and other benefits. The committee ordinarily reviews directors' salaries annually, effective from 1st April, taking into account market rates and the performance of the individual and of the company. Pay and employment conditions of the group are taken into account in determining directors' remuneration, with the committee approving similar rates of salary increase across the group. Policies for benefits (which include provision of a car or car benefit, private health care and life assurance) are reviewed regularly and comparisons with other companies are made. Reports and published data are also taken into consideration in setting salary and benefit packages.

Remuneration in 2011

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.

Directors' Emoluments*

	Salary/ fees £000	Benefits (note 1) £000	Performance related bonus £000	2011 Total £000	2010 Total £000
B. J. Cooke	80	4	36	120	83
D. J. Gawthorpe	200	9	71	280	175
S. J. Mant (appointed 1 November 2010) — Note 2	46	4	30	80	—
M. A. Lewis	145	9	71	225	147
G. Cooper	145	10	71	226	148
C. P. King	20	—	—	20	18
G. B. Wainwright	20	—	—	20	18
A. J. Smith	20	—	—	20	18
J. C. Roby (retired 31 October 2010)	94	10	41	145	162
	770	46	320	1,136	769

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

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

Pension arrangements

Executive directors were contributing members of the Castings P.L.C. Staff Pension and Life Assurance Scheme, a defined benefit scheme, up to 5th April 2009. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The scheme provides for a pension accrued at 1/60th per year of service to 2005 and 1/80th per year thereafter. From 6th April 2009, they became deferred members.

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

From 6th April 2009, the executive directors were able to join the Castings P.L.C. Money Purchase Pension Scheme, a defined contribution pension scheme. Pension contributions are not paid on benefits or bonuses. Total contributions of the company total 7% of pensionable earnings.

Four directors are members of the Money Purchase Pension Scheme. In addition, J. C. Roby received a pension allowance equivalent to company contributions up to the point of his retirement.

Directors' pension entitlements*

Name of director	Age at year end	Directors' contributions in the year (note 1)	Increase in accrued pension during the year	Increase in accrued pension during year net of inflation	Transfer value of increase net of inflation and directors' contributions	Accumulated total accrued pension at 31/03/2011 (note 2)	Accumulated total accrued pension at 31/03/2010 (note 2)	Transfer value of accrued benefits 31/03/2011	Transfer value of accrued benefits 31/03/2010	Difference in transfer values less contributions
		£	£	£	£	£	£	£	£	£
D. J. Gawthorpe	49	—	2,028	—	—	46,106	44,078	443,687	403,019	40,668
M. A. Lewis	47	—	943	—	—	21,435	20,492	203,140	186,937	16,203
G. Cooper	57	—	1,143	—	—	25,984	24,841	340,915	311,018	29,897
J. C. Roby	62	—	1,796	—	—	40,833	39,037	684,607	622,922	61,685

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

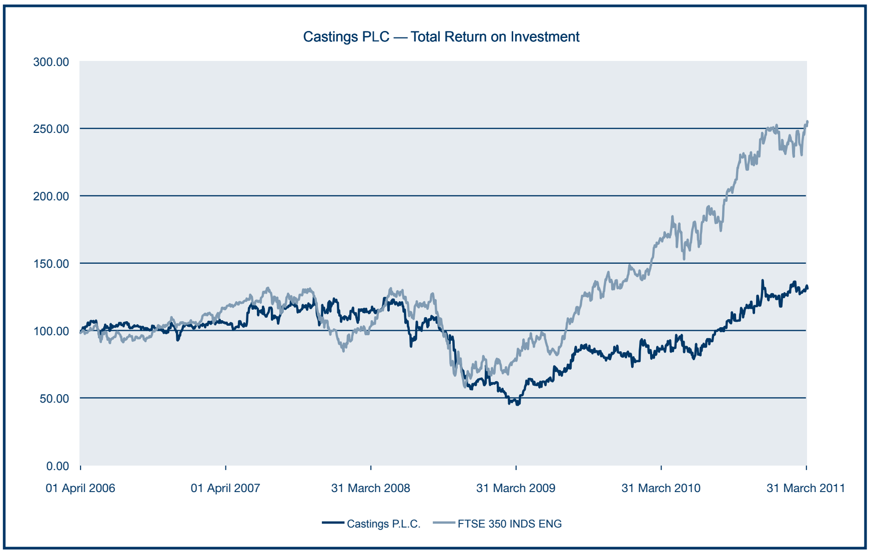
	Contributions paid to 31/03/2011
D. J. Gawthorpe	10,030
S. J. Mant	3,754
M. A. Lewis	9,264
G. Cooper	9,264

Notes to pension benefits:

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

Performance graph

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



Source: Thomson Financial – Thomson One Banker

Directors' contracts

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

The date of contracts currently in place for the executive directors is 1st April 2007, with the exception of S. J. Mant who has a contract dated 1 November 2010.

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

22 June 2011

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- prepare a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Directors' responsibilities pursuant to DTR 4

The directors confirm to the best of their knowledge:

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

Independent Auditors' Report

To the members of Castings P.L.C.

We have audited the financial statements of Castings P.L.C. for the year ended 31st March 2011 which comprise the consolidated statement of comprehensive income, consolidated and parent company balance sheets, consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Articles 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 14 in relation to going concern; and
- the part of the corporate governance relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.
- certain elements of the report to shareholders by the board on directors' remuneration.

Stephen Ward (senior statutory auditor)

For and behalf of BDO LLP,

Statutory auditor

Birmingham
United Kingdom

22nd June 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

for the year ended 31st March 2011

	Notes	2011 £000	2010 £000
Revenue	2	105,368	60,649
Cost of sales		(77,526)	(45,523)
Gross profit		27,842	15,126
Distribution costs		(1,909)	(769)
Administrative expenses			
Excluding exceptional		(10,942)	(4,896)
Exceptional	4	352	204
Total administrative expenses		(10,590)	(4,692)
Profit from operations	3	15,343	9,665
Finance income	7	158	139
Profit before income tax		15,501	9,804
Income tax expense	8	(3,849)	(2,166)
Profit for the year attributable to equity holders of the parent company		11,652	7,638
Other comprehensive income for the year:			
Change in fair value of available-for-sale financial assets		–	68
Net actuarial gain/(loss) and movement in unrecognised surplus on defined benefit pension schemes		(409)	(4,466)
Tax effect of gains and losses recognised directly in equity		–	681
Total other comprehensive income for the year (net of tax)		(409)	(3,717)
Total comprehensive income for the year attributable to the equity holders of the parent company		11,243	3,921
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	10	26.71p	17.51p

Notes to the accounts are on pages 24 to 43.

Consolidated Balance Sheet

31st March 2011

	Notes	2011 £000	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	55,889	51,596
Financial assets	12	467	480
		56,356	52,076
Current assets			
Inventories	13	11,402	7,818
Trade and other receivables	14	30,956	19,149
Cash and cash equivalents		13,707	14,718
		56,065	41,685
Total assets		112,421	93,761
LIABILITIES			
Current liabilities			
Trade and other payables	15	25,113	14,671
Current tax liabilities		1,546	568
		26,659	15,239
Non-current liabilities			
Deferred tax liabilities	16	5,647	5,287
Total liabilities		32,306	20,526
Net assets		80,115	73,235
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		74,865	67,985
Total equity		80,115	73,235

The accounts on pages 20 to 43 were approved and authorised for issue by the board of directors on 22nd June 2011, and were signed on its behalf by:

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

Notes to the accounts are on pages 24 to 43.

Consolidated Cash Flow Statement

for the year ended 31st March 2011

	Notes		2010
	Notes	**£000**	**£000**
Cash flows from operating activities			
Profit before income tax		15,501	9,804
Adjustments for:			
Depreciation		5,606	4,533
Profit on disposal of property, plant and equipment		(26)	(51)
Interest received		(120)	(139)
Excess of employer pension contributions over income statement charge		(409)	(4,466)
(Increase) in inventories		(3,584)	(417)
(Increase) in receivables		(12,219)	(4,884)
Increase in payables		10,442	2,063
Cash generated from operating activities		15,191	6,443
Tax paid		(2,099)	(652)
Interest received		120	139
Net cash generated from operating activities		13,212	5,930
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,907)	(2,721)
Proceeds from disposal of property, plant and equipment		15	51
Proceeds from disposal of financial assets		32	17
Net cash used in investing activities		(9,860)	(2,653)
Cash flow from financing activities			
Dividends paid to shareholders		(4,363)	(4,363)
Net cash used in financing activities		(4,363)	(4,363)
Net decrease in cash and cash equivalents		(1,011)	(1,086)
Cash and cash equivalents at beginning of year		14,718	15,804
Cash and cash equivalents at end of year	19	13,707	14,718
Cash and cash equivalents:			
Short-term deposits		13,280	14,401
Cash available on demand		427	317
		13,707	14,718

Notes to the accounts are on pages 24 to 43.

Consolidated Statement of Changes in Equity

for the year ended 31st March 2011

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

	Equity attributable to equity holders of the parent				
	Share capital[a)]	Share premium[b)]	Other reserve[c)]	Retained earnings[d)]	Total equity
	£000	£000	£000	£000	£000
At 1st April 2009	4,363	874	13	68,427	73,677
Total comprehensive income for the year ended 31st March 2010	—	—	—	3,921	3,921
Dividends	—	—	—	(4,363)	(4,363)
At 31st March 2010	4,363	874	13	67,985	73,235

a) Share capital — The nominal value of allotted and fully paid up ordinary share capital in issue.

b) Share premium — Amount subscribed for share capital in excess of nominal value.

c) Other reserve — Amounts transferred from share capital on redemption of issued shares.

d) Retained earnings — Cumulative net gains and losses recognised in the statement of comprehensive income.

Notes to the Accounts

1 **Accounting policies**

New standards effective in 2011 adopted by the group

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

- Amendments to IFRS 7 'Improving disclosures about Financial Instruments'
- Improvements to IFRSs

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

Basis of accounting

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

The IFRSs applied in the group financial statements are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1st April 2011 or later accounting periods but may be adopted early.

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

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

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain assets, and in accordance with applicable Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the principal group IFRS accounting policies is set out below.

Basis of consolidation

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

Intercompany transactions and balances between group companies are eliminated in full.

Business combinations and goodwill

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

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

Revenue recognition

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

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

Post-retirement benefits

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

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

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

Property, plant and equipment

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

i Freehold buildings over 50 years.

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

iii Plant and equipment over a period of 3 to 15 years, straight line or unit of production method if more appropriate.

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

Inventories

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

Cash and cash equivalents

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

Foreign currencies

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

Financial Instruments

a) Financial assets

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

Available-for-sale assets

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

Loans and receivables

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

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

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

b) Financial liabilities

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

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

Financial liabilities measured at amortised cost

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

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

c) Share capital

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

Current and deferred tax

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

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

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

Dividends

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

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of the size or incidence to enable a full understanding of the group's financial performance.

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

The following have not been adopted in the financial statements. In each case the potential impact has been noted and management are considering the impact of the changes on future reporting.

Improvements to IFRSs (2010) - the amendments take various forms including financial instrument and clarifying the components of other comprehensive income. The amendments are not expected to have a significant impact.

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

Critical accounting estimates and judgements

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

Short-term deposits

See note 19 for further details.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 11.

Inventory

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

Pension assumptions

The costs, assets and liabilities of the defined benefit pension schemes operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 6.

2 Business and geographical segments

For internal decision making purposes, the group is organised into three operating companies which are considered to be the operating segments of the group: Castings plc and William Lee are aggregated into Foundry Operations and CNC Speedwell is the Machining Operation.

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

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

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

2 Business and geographical segments continued

The following shows the revenues, results and total assets by reportable segment in the year to 31st March 2010:

	Foundry operations £000	Machining £000	Elimination £000	Total £000
Revenue from external customers	58,077	2,572	—	60,649
Inter-segmental revenue	939	5,359	—	6,298
Segmental result	5,438	(433)	—	4,995
Unallocated costs:				
Exceptional write-down of Icelandic bank deposits				404
Exceptional costs relating to redundancy payments				(200)
Excess of employer pension contributions over statement of comprehensive income charge				4,466
Finance income				139
Profit before income tax				9,804
Total assets	91,381	17,363	(14,983)	93,761
Non-current asset additions	1,050	1,671	—	2,721
Depreciation	2,248	2,285	—	4,533

All non-current assets are based in the United Kingdom

	2011 £000	2010 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	42,617	28,212
Sweden	21,189	10,001
Rest of Europe	38,147	21,256
North and South America	2,436	1,166
Other	979	14
	105,368	60,649

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

Information about major customers

Included in revenues arising from Foundry operations are revenues of approximately £23,893,000 and £11,754,000 from two customers (2010 – £9,189,000 and £6,188,000).

3 Profit from operations

	2011 £000	2010 £000
This has been arrived at after charging/(crediting):		
Staff costs (note 5)	32,222	17,681
Cost of inventories recognised as an expense	55,553	39,978
Depreciation of property, plant and equipment	5,606	4,533
Fees payable to the company's auditors for the audit of the company's annual accounts	25	24
Fees payable to the company's auditors for other services:		
— The audit of the company's subsidiaries	26	25
— Tax services	10	18
Profit on disposal of property, plant and equipment	(8)	(51)

4 Exceptional items

	2011 £000	2010
Redundancy costs (see (a) below)	—	(404)
Provision for losses on deposits with Icelandic banks (see (b) below)	(196)	—
Provision for Industrial Tribunal costs (see (c) below)	(156)	200
	(352)	(204)

a) The exceptional credit of £404,000 in the prior year relates to accruals for redundancy payments made as at 31st March 2009 that were not used due to the subsequent increase in production volumes and were released.

b) The company reported in the year end 31st March 2009 that £1.86 million was included in other receivables as recoverable from various Icelandic banks. So far £2,056,000 has been received with the excess being shown as an exceptional credit.

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

5 Employee information

Average number of employees during the year was:	2011	2010
Production	840	594
Management and administration	86	78
	926	672

Notes to the Accounts

continued

5 Employee information continued

	2011 £000	2010 £000
Staff costs (including directors) comprise:		
Wages and salaries	27,754	17,148
Defined contribution pension costs	658	430
Defined benefit pension cost (note 6)	(409)	(1,966)
Employer's national insurance contributions and similar taxes	2,790	1,731
	30,793	17,343

In addition to the wages and salaries disclosed above, the group incurred costs of £1,429,000 (2010 — £147,000) in respect of agency workers.

The directors represent the key management personnel.

Details of their compensation are given in the Remuneration Report on page 15.

6 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay. These schemes are closed to new entrants and closed to future accruals on 6th April 2009. The assets are independent of the finances of the group and are administered by Trustees.

In July 2010 the UK Government announced that the statutory minimum level of revaluation would in the future be calculated using the Consumer Price Index ("CPI") rather than the Retail Price Index ("RPI"). The company, in conjunction with the Trustees of the Pension Scheme, has undertaken to review the impact of this change and has therefore continued to link the deferred pensions to RPI for the purpose of the current year Scheme revaluation. The assumption regarding future RPI rates is higher than for CPI rates and whilst it is estimated that the impact of the change to CPI would be to increase the unrecognised surplus, this amount is not considered to be material to the financial statements.

The latest actuarial valuation was made as at 6th April 2008 using the attained age method. It assumed that the rate of return on investments was 5.9% per annum for pre-retirement and 4.9% per annum for post-retirement, and the rate of increase in wages and salaries was 4.4% per annum for the Staff Scheme and 3.9% per annum for the Shopfloor Scheme and price inflation was 3.4%.

The demographic assumptions are based on the PA92 tables with medium cohort projected improvements and an underpin of 1.0% p.a. on future annual life expectancy improvements. An age rating of +1 year is then applied for the Staff Scheme and +3 years for the Shopfloor Scheme.

The next actuarial valuation is being performed with an effective date of 6 April 2011.

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

Composition of the schemes

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6th April 2008 and updated to 31st March 2011 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):

	2011	2010
Rate of increase of pensions in payment	3.4%	3.6%
Discount rate	5.5%	5.6%
Inflation assumption	3.4%	3.6%

6 Pension disclosures under IAS 19 continued

	2011 £000	2010 £000
Change in benefit obligation		
Benefit obligation at beginning of year	41,369	33,251
Current service cost	–	–
Curtailment	–	(2,158)
Interest cost	2,271	2,086
Plan participants' contributions	–	–
Actuarial (gain)/loss	(520)	10,779
Benefits paid	(1,634)	(2,589)
Benefit obligation at end of year	41,486	41,369
Change in plan assets		
Fair value of plan assets at beginning of year	46,250	34,258
Expected return on plan assets	2,680	1,894
Actuarial gain/(loss)	873	10,187
Employer contribution	–	2,500
Member contributions	–	–
Benefits paid	1,634	(2,589)
Fair value of plan assets at end of year	48,169	46,250
Funded status	6,683	4,881
Unrecognised pension surplus (Effect of paragraph 58(b) limit)	(6,683)	(4,881)
Net amount recognised in the balance sheet	–	–

	Year to 31st March 2011 £000	Year to 31st March 2010 £000
Components of pension cost		
Current service cost	–	–
Curtailment	–	(2,158)
Interest cost	2,271	2,086
Expected return on plan assets	(2,680)	(1,894)
Total pension cost recognised within administrative expenses (note 5)	(409)	9(1,966)
Unrecognised pension surplus at beginning of year	4,881	1,007
Unrecognised pension surplus at end of year	(6,683)	(4,881)
Actuarial gain/(loss) for the year	1,393	(592)
Pension cost shown in Other Comprehensive Income	409	(4,466)
Cumulative amount of actuarial losses immediately recognised	10,712	13,105

Notes to the Accounts

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6 Pension disclosures under IAS 19 continued

Plan assets

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

	Plan assets at 31st March 2011	Plan assets at 31st March 2010
Assets category		
Equities	69%	69%
Bonds	28%	28%
Real estate	3%	3%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.9% (2010 – 5.6%) assumption.

The projected pension cost for the year ending 31st March 2012 is £nil.

	2011 £000	2010 £000
Actuarial return on plan assets	3,553	12,081
Weighted average assumptions used to determine benefit obligations:		
Discount rate	5.5%	5.6%
Weighted average assumptions used to determine net pension cost:		
Discount rate	5.6%	7.0%
Expected long-term return on plan assets	5.9%	5.6%
Rate of compensation increase	n/a	4.5%

6 Pension disclosures under IAS 19 continued

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

	2011		2010	
	Male Staff/ Shopfloor	Female Staff/ Shopfloor	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	21.8/20.1	25.0/23.2	21.6/19.9	24.8/23.0
Scheme member age 45 (life expectancy at age 65)	23.6/21.9	26.9/25.1	23.4/21.7	26.7/24.9

* Mortality tables are PA92 mc (YOB) +1 for the Staff Scheme and PA92 mc (YOB) +3 for the Shopfloor Scheme. A 1% p.a. floor in future improvements was included as at 31st March 2011.

History of experience gains and losses

Financial year ended in:

	2011	2010	2009	2008	2007
Present value of defined obligation	41,486	41,369	33,251	39,043	38,774
Fair value of plan assets	48,169	46,250	34,258	41,829	43,122
Surplus/(deficit)	6,683	4,881	1,007	2,786	4,348
Difference between expected and actual return on scheme assets:					
amount (£000)	873	10,187	(11,054)	(4,781)	(27)
percentage of scheme assets	2.0%	22.0%	(32.0%)	(11.0%)	0%
Experience gains and (losses) on scheme liabilities:					
amount (£000)	—	—	86	(2,033)	(1,875)
percentage of scheme liabilities	0%	0%	0%	5.0%	5.0%
Total gains and (losses):					
amount (£000)	1,393	(592)	(2,955)	(2,748)	1,848
percentage of scheme assets	3.0%	(1.0%)	(10.0%)	(7.0%)	5.0%

7 Finance income

	2011 £000	2010 £000
Interest on short-term deposits	120	92
Income from listed investments	18	17
Other	20	30
	158	139

Notes to the Accounts

continued

8 **Income tax**	2011 **£000**	2010 **£000**
Corporation tax based on a rate of 28% (2010 – 28%)		
UK Corporation tax		
Current tax on profits for the year	3,924	1,541
Adjustments to tax charge in respect of prior periods	(435)	(867)
	3,489	674
Deferred tax		
Current year origination and reversal of temporary differences	412	688
Prior year deferred tax movement	384	804
Change in rate of corporation tax	(436)	–
Taxation on profit on ordinary activities	3,849	2,166
Profit on ordinary activities before tax	15,501	9,804
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 – 28%)	4,340	2,745
Effect of:		
Expenses not deductible for tax purposes	110	34
Adjustment to tax charge in respect of prior periods	(435)	(867)
Adjustment to deferred tax charge in respect of prior periods	384	804
Change in rate of future tax	(436)	–
Pension adjustments	(114)	(550)
Total tax charge for period	3,849	2,166
Effective rate of tax (%)	24.8	22.1

9 **Dividends**	2011 **£000**	2010 **£000**
Final paid of 7.29 per share for the year ended 31st March 2010 (2009 – 7.29p)	3,181	3,181
Interim paid of 2.71 per share (2010 – 2.71p)	1,182	1,182
	4,363	4,363

The directors are proposing a final dividend of 8.04 pence (2010 – 7.29 pence) per share totalling £3,508,000 (2010 – £3,181,000). This dividend has not been accrued at the balance sheet date.

10 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £11,652,000 (2010 – £7,638,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2010 – 43,632,068).

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

11 Property, plant and equipment

	Land and buildings £000	Plant and other equipment £000	Total £000
Cost			
At 1st April 2010	22,320	84,385	106,705
Additions during year	1,016	8,891	9,907
Disposals	—	(1,081)	(1,081)
At 31st March 2011	23,336	92,195	115,531
Depreciation and amounts written off			
At 1st April 2010	2,822	52,287	55,109
Charge for year	481	5,125	5,606
Disposals	—	(1,073)	(1,073)
Reclassification	22	(22)	—
At 31st March 2011	3,325	56,317	59,642
Net book values			
At 31st March 2011	20,011	35,878	55,889
At 31st March 2010	19,498	32,098	51,596
Cost			
At 1st April 2009	21,849	83,459	105,308
Additions during year	471	2,250	2,721
Disposals	—	(1,324)	(1,324)
At 31st March 2010	22,320	84,385	106,705
Depreciation and amounts written off			
At 1st April 2009	2,541	49,359	51,900
Charge for year	281	4,252	4,533
Disposals	—	(1,324)	(1,324)
At 31st March 2010	2,822	52,287	55,109
Net book values			
At 31st March 2010	19,498	32,098	51,596
At 31st March 2009	19,308	34,100	53,408

The net book value of group land and buildings includes £2,527,000 (2010 – £2,527,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2010 – £359,000).

Notes to the Accounts

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12 Financial assets

	2011	2010
	£000	**£000**
Available-for-sale assets	467	480

	2011	2010
	£000	**£000**
At 1st April 2010	480	429
Disposals	(13)	(17)
Net gains/(losses) transferred to statement of comprehensive income	–	68
At 31st March 2011	467	480

Available-for-sale financial assets are UK quoted equity securities and denominated in sterling. The fair value of the securities is based on published market prices.

13 Inventories

	2011	2010
	£000	**£000**
Raw materials	3,169	2,347
Work in progress	2,946	2,226
Finished goods	5,287	3,245
	11,402	7,818

Inventories are net of impairment provisions of £272,000 (2010 – £599,000).

14 Trade and other receivables

	2011	2010
	£000	**£000**
Due within one year:		
Trade receivables	23,537	15,130
Other receivables	3,310	2,315
Prepayments	4,109	1,704
	30,956	19,149

Other receivables in 2010 include deposits with Icelandic banks of £4,497,000 less impairment provision of £3,843,000 (see note 4).

15 Trade and other payables

	2011	2010
	£000	**£000**
Current trade and other payables:		
Trade payables	15,893	7,945
Social security	2,118	1,193
Other payables	422	507
Accruals	6,680	5,026
	25,113	14,671

Included within accruals in 2010 is a provision of £200,000 relating to Industrial Tribunal costs which was not included in a separate provision as it is not material to the financial statements.

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2009 – 28%). The movement on the deferred tax account is shown below:

Deferred tax — net

	2011	2010
	£000	**£000**
At 1st April 2010	5,287	4,301
Taken to equity	—	(506)
Charge	360	1,492
At 31st March 2011	5,647	5,287

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

Deferred tax liabilities

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

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

	Accelerated tax depreciation	Pension Adjustment	Other	Total
	£000	**£000**	**£000**	**£000**
At 1st April 2009	4,690	—	(389)	4,301
Charged to profit	1,466	—	26	1,492
Charged to other comprehensive income	—	(525)	19	(506)
At 31st March 2010	6,156	(525)	(344)	5,287

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

	2011	2010
	£000	**£000**
Tax on pension adjustments	—	(525)
Tax on change in fair value of available-for-sale financial assets	—	19
Tax on items taken directly to reserves	—	(506)

The total tax on items taken directly to reserves is £nil (2010 — £681,000) which includes £nil (2010 — £175,000) of current tax on pension adjustments taken directly to reserves.

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17 Share capital

	2011 £000	2010 £000
Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

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

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

18 Commitments

	2011 £000	2010 £000
Capital commitments contracted for by the group but not provided for in the accounts	1,609	909

19 Financial instrument risk exposure and management

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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

Principal financial instruments

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

- trade receivables
- other receivables
- cash at bank
- trade and other payables

General objectives, policies and processes

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

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

Categories of financial assets and financial liabilities

	Loans and receivables	
	2011	2010
	£000	£000
Current financial assets		
Trade receivables	23,537	15,130
Other receivables (excluding corporation tax recoverable)	3,310	1,904
Cash and cash equivalents	13,707	14,718
Total current financial assets	40,554	31,752

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

19 Financial instrument risk exposure and management continued

	Financial liabilities measured at amortised cost	
	2011	2010
	£000	**£000**
Current financial liabilities		
Trade payables	15,893	7,945
Other payables	422	507
Accruals	6,680	5,026
Total current financial liabilities	22,995	13,478

Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

As at 31st March 2011, trade receivables of £23,216,000 (2010 – £14,696,000) were not past due. Against these balances no impairment provisions were made.

The Icelandic bank deposits signify a significant concentration of credit risk. See notes 4 and 14.

Trade receivables

Credit risk is managed locally by the management of each subsidiary. Prior to accepting new customers, credit checks are obtained from a reputable external source (for example Creditsafe and trade references).

Based on this information, credit limits and payment terms are established, although for some large customers and contracts, credit risk is not considered to be high risk, and credit limits can sometimes be exceeded. These exceeded accounts are closely monitored and if there is a concern over recoverability accounts are put on stop and no further goods will be sold before receiving payment. Pro forma invoicing is sometimes used for new customers, or customers with a poor payment history until creditworthiness can be proven or re-established.

Management teams at each subsidiary receive regular ageing reports, and these are used to chase relevant customers for outstanding balances.

Impairment provisions are made against trade receivables when considered appropriate based upon objective evidence.

No major renegotiation of terms has taken place during the year.

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

	2011	2010
	£000	**£000**
Sterling	17,822	11,184
Euro	5,634	3,946
US$	81	–
	23,537	15,130

19 Financial instrument risk exposure and management continued

At 31st March 2011 trade receivables of £321,000 (2010 – £45,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2011	2010
	£000	**£000**
30–60 days	233	45
60–90 days	40	—
90+ days	48	—
	321	45

At 31st March 2011 trade receivables of £209,000 (2010 – £389,000) were past due and impaired. The amount of the provision at 31st March 2011 was £359,000 (2010 – £517,000). The ageing of these receivables is as follows:

	2011	2010
	£000	**£000**
30–60 days	22	1
60–90 days	60	55
90+ days	127	333
	209	389

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

	2011	2010
	£000	**£000**
Opening balance	517	684
Decrease in provisions	(155)	(132)
Written off against provisions	—	—
Recovered amounts reversed	(3)	(35)
Closing balance	359	517

Impairment losses on trade receivables of £nil (2010 – £34,000) 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.

At the balance sheet date, the group has unused bank overdraft facilities of £nil (2010 – £1,000,000) which are reviewed on an annual basis. Based on projected cash flows, the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Market risk

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

Notes to the Accounts

continued

19 Financial instrument risk exposure and management continued

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

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

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

Interest rate and currency risk

The group does not have any financial liabilities subject to interest rate risk at the balance sheet date (2010 – £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 foreign exchange facilities of £1.7 million (2010 – £2 million) were available to the group to enable them to enter into forward exchange contracts.

The group had no outstanding foreign currency forward at 31st March 2011 (2010 – £nil).

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

	Floating rate assets 2011	Fixed rate assets 2011	Interest-free assets 2011	Total
	£000	**£000**	**£000**	**£000**
Sterling	17	12,313	17,822	30,152
US$	122	—	81	203
Euro	286	969	5,634	6,889
	425	13,282	23,537	37,244

	Floating rate assets 2010	Fixed rate assets 2010	Interest-free assets 2010	Total
	£000	**£000**	**£000**	**£000**
Sterling	23	14,060	11,185	25,268
US$	36	—	—	36
Euro	258	341	3,945	4,544
	317	14,401	15,130	29,848

19 Financial instrument risk exposure and management continued

	Interest-free liabilities 2011 **£000**	Interest-free liabilities 2010 **£000**
Sterling	14,903	7,210
US$	—	2
Euro	990	733
	15,893	7,945

Fixed rate assets attracted interest rates between 0.75% to 1.30% (2010 – 0.53% to 1.65%) on sterling deposits.

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

Cash and cash equivalents

Cash and cash equivalents generally comprise short-term deposits that have fixed interest rates and maturity periods within three months. The effect of a +50/(50) increase/(decrease) in basis points with all other variables held constant would have the effect of increasing/(decreasing) profit before tax by £60,000/(£70,000) (2010 – £85,000/(£26,000)).

The group believes that movements on exchange rates of +/–5% could be possible, the effect of which is that profit before tax would increase/(decrease) by (£268,000)/£297,000 (2010 – (£196,000)/£217,000).

Derivative Financial Instruments

In prior periods the group entered into contracts to purchase electricity. These contracts contained clauses which met the definition of a derivative. At the point of initial recognition the derivative had no value and as the contracts ended during the year there was no derivative at the balance sheet date. During the year the Statement of Comprehensive Income was credited with £1,053,000 (2010 – charged with £203,000) under the heading Cost of Sales. This amount reflected the additional rebates/(costs) as a result of higher/(lower) than predicted usage.

Fair value

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

Five Year Financial History — unaudited

For the years ended 31st March	2011	2010	2009	2008	2007
	£000	**£000**	**£000**	**£000**	**£000**
Trading results					
Revenue	105,368	60,649	84,812	97,372	86,230
Profit before tax	15,501	9,804	3,616	16,664	13,057
Profit after tax	11,652	7,638	622	11,996	9,410
Dividends	4,363	4,363	4,363	4,210	4,036
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	75,752	68,872	69,314	73,494	66,273
Total equity	80,115	73,235	73,677	77,857	70,636
Assets					
Property, plant and equipment	55,889	51,596	53,408	38,772	35,495
Financial assets	467	480	429	736	823
Deferred tax asset	—	—	—	—	—
	56,356	52,076	53,837	39,508	36,318
Current assets	56,065	41,685	37,059	61,136	53,554
Total liabilities	(32,306)	(20,526)	(17,219)	(22,787)	(19,236)
	80,115	73,235	73,677	77,857	70,636
Dividends and earnings					
Pence per share paid	10.0	10.0	10.0	10.0	9.52
Number of times covered	2.7	1.7	—	2.8	2.3
Earnings per share — basic and diluted	26.71p	17.51p	1.43p	27.49p	21.57p

Parent Company Accounts Under UK GAAP

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

Parent Company Balance Sheet

31st March 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	4	11,809	11,957
Investments	5	5,749	5,761
		17,558	17,718
Current assets			
Stocks	6	7,536	4,756
Debtors	7	25,328	18,366
Short-term deposits		10,516	12,840
Cash at bank and in hand		217	88
		43,597	36,050
Creditors — amounts falling due within one year	8	14,793	8,078
Net current assets		28,804	27,972
Total assets less current liabilities		46,362	45,690
Provisions for liabilities	9	(494)	(181)
		45,868	45,509
Capital and reserves			
Called up share capital	10	4,363	4,363
Share premium	11	874	874
Other reserve	11	13	13
Retained earnings	11	40,618	40,259
Shareholders' funds		45,868	45,509

The parent company accounts on pages 45 to 51 were approved and authorised for issue by the board of directors on 22 June 2011, and were signed on its behalf by:

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

Notes to the accounts are on pages 46 to 51.

Notes to the Parent Company Accounts

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

1 Accounting policies

Basis of accounting

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

Depreciation

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

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

Freehold land is not depreciated.

Pension costs

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

Turnover

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

Stocks

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

Foreign currencies

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

Deferred tax

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

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

Investments

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

Financial Instruments

a) Financial assets

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

Available-for-sale assets

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

Loans and receivables

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

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

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

b) Financial liabilities

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

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

Financial liabilities measured at amortised cost

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

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

c) Share capital

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

Dividends

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

Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with members of the group on the grounds that 100% of the voting rights in the company are controlled within that group.

2 Company profit and loss account

Castings P.L.C. has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these accounts. The company's profit after tax was £4,722,000 (2010 – £2,261,000).

The profit and loss account includes £25,000 (2010 – £24,000) for audit fees.

3 Dividends

	2011	2010
	£000	£000
Final paid of 7.29p per share for the year ended 31st March 2010 (2009 – 7.29p)	3,181	3,181
Interim paid of 2.71p per share (2010 – 2.71p)	1,182	1,182
	4,363	4,363

The directors are proposing a final dividend of 8.04 pence (2010 – 7.29 pence) per share totalling £3,508,000 (2010 – £3,181,000). This dividend has not been accrued at the balance sheet date.

4 Fixed assets

	Land and buildings	Plant and other equipment	Total
	£000	£000	£000
Cost			
At 1st April 2010	10,282	23,446	33,748
Additions during year	246	682	928
Disposals	—	(44)	(44)
At 31st March 2011	10,528	24,104	34,632
Depreciation and amounts written off			
At 1st April 2010	1,980	19,811	21,791
Charge for year	163	906	1,069
Disposals and adjustments	—	(37)	(37)
At 31st March 2011	2,143	20,680	22,823
Net book values			
At 31st March 2011	8,385	3,424	11,809
At 31st March 2010	8,302	3,655	11,957

The net book value of land and buildings includes £2,127,000 (2010 – £2,127,000) for land which is not depreciated. The cost of land and buildings includes £359,000 for property held on long leases (2010 – £359,000).

5 Investments

	2011	2010
	£000	**£000**
Subsidiary companies		
At cost	5,281	5,281
Listed investments at market value	468	480
	5,749	5,761

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

During the year the company disposed of listed investments of £12,000 (2010 – £17,000) and the change in fair value taken to equity is £nil (2010 – £68,000).

6 Stocks

	2011	2010
	£000	**£000**
Raw materials	1,019	721
Work in progress	2,462	1,896
Finished goods	4,055	2,139
	7,536	4,756

7 Debtors

	2011	2010
	£000	**£000**
Due within one year:		
Trade debtors	14,797	8,887
Amounts owed by subsidiary companies	4,286	6,670
Other debtors	3,309	1,902
Prepayments and accrued income	2,936	907
	25,328	18,366

8 Creditors

		2010
	£000	**£000**
Due within one year:		
Trade creditors	7,021	3,445
Amounts owed to subsidiary companies	2,498	796
Corporation tax	926	567
Other taxation and social security	885	452
Other creditors	101	121
Accruals and deferred income	3,362	2,697
	14,793	8,078

Notes to the Parent Company Accounts

continued

9 Provisions for liabilities

	2011 £000	2010 £000
Deferred taxation		
At 1st April 2010	181	571
Taxation deferred this year	313	(390)
At 31st March 2011	494	181
Deferred tax is provided as follows:		
Accelerated capital allowances	668	776
Other timing differences	(174)	(595)
	494	181

10 Called up share capital

	2011 £000	2010 £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	Other reserve £000	Retained earnings £000	Total equity £000
At 1st April 2010	4,363	874	13	40,259	45,509
Profit retained	—	—	—	359	359
Changes in fair value of investments	—	—	—	—	—
At 31st March 2011	4,363	874	13	40,618	45,868

12 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the year	4,722	2,261
Changes in fair value of investments	—	68
Dividends	(4,363)	(4,363)
Net increase/(reduction) to shareholders' funds	359	(2,034)
Opening shareholders' funds	45,509	47,543
Closing shareholders' funds	45,868	45,509

13 Pensions

It is not possible to identify the company's share of the underlying assets and liabilities in respect of the group defined benefit schemes on a consistent and reasonable basis. Contributions to the schemes by the company are based on professional and independent actuarial advice. During the year the contributions payable by the company to the funds amounted to £nil (2010 – £2,500,000). The last valuation was performed with an effective date of 6th April 2008. Further details of the schemes are contained in note 6 of the consolidated accounts of Castings P.L.C.

14 Capital commitments

	2011 £000	2010 £000
Authorised, but not provided in the accounts	14	17

Notice of Meeting

Notice is hereby given that the one hundred and third Annual General Meeting of Castings P.L.C. (the 'Company') will be held at Holiday Inn, Birmingham M6, Junc. 7, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on Tuesday 16th August at 3.30 pm for the following purposes:

As ordinary business

1 To receive and adopt the directors' report and audited accounts for the year ended 31st March 2011.

2 To declare a final dividend.

3 To re-elect Mr G. B. Wainwright as a director.

4 To re-elect Mr G. Cooper as a director.

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

6 To approve the directors' remuneration report for the year ended 31st March 2011.

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

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

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

As an ordinary resolution

8 THAT:

(a) the directors be and are hereby generally and unconditionally authorised in accordance with the Companies Act 2006 to exercise all the powers of the Company to allot relevant securities provided that the aggregate nominal value of such securities shall not exceed £636,793, which represents approximately 14.6% of the current issued share capital of the Company;

(b) the foregoing authority shall expire on 16th August 2015 save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired;

(c) the foregoing authority shall be in substitution for the authorities given to the directors under the Companies Act 2006 on 18th August 2009, which authorities are accordingly hereby revoked;

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

As special business

As special resolutions

9 THAT the directors be and are hereby empowered pursuant to the Companies Act 2006 to allot equity securities (within the meaning of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 8 set out in the notice convening this meeting as if the said Act did not apply to any such allotment provided that this power shall be limited:

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

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

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

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

(a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844 representing 9.99% of the issued share capital at 31st March 2011;

(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.

11 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

12 THAT with effect from the passing of this resolution:

a the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, have been treated as provisions of the Company's Articles of Association since 1 October 2009; and

b the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

The record date for payment of the final dividend is 22nd July 2011. Assuming the final dividend is approved by the members, the dividend will be paid on 19th August 2011.

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 12th August 2011. Shareholders have the right to ask questions at the meeting.

By order of the board
S. J. Mant
Company Secretary

Registered Office:
Lichfield Road,
Brownhills,
West Midlands, WS8 6JZ.
22nd June 2011

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

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

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

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

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

New Articles of Association

A copy of the proposed new Articles of Association of the Company is available for inspection during normal business hours at the offices of Pinsent Masons LLP, 30 Crown Place, London EC2A 4ES (public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting 15 minutes before time of AGM until its conclusion.

Directors, Officers and Advisers

Directors

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

Secretary and Registered Office

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

Registrars

Capita Registrars
The Registry,
34 Beckenham Road,
Beckenham,
Kent, BR3 4TU
Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30 am to 5.30 pm Mon–Fri)
Fax: 020 8658 3430

Auditors

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

Solicitors

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

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

Bankers

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

Stockbrokers

Arden Partners plc
Arden House,
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Registered No.

91580

Shareholder Information

Capital gains tax

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

Warning to shareholders

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

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

If you receive any unsolicited investment advice:

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

  www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
- If the calls persist, hang up.

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

Website

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

Explanatory Notes of Principal Changes to the Company's Articles of Association

Set out below is a summary of the principal differences between the current articles of association of the Company (the "Current Articles") and the new articles of association (the "New Articles") proposed to be adopted at the forthcoming Annual General Meeting. The article numbers are the numbers under the New Articles. Generally, the opportunity has been taken to bring clearer language into the New Articles, and other than as set out below, the differences between the Current Articles and New Articles are of a minor or technical nature.

Articles 12 to 16 — Uncertificated Shares

The Current Articles do not contain provisions regarding holding shares in an uncertificated form. These new articles set out detailed provisions giving effect to the Uncertificated Securities Regulation 2001, and expressly deal with the holding of shares in uncertificated form and their transfer by means of the CREST system. These articles also set out arrangements whereby the holders of shares in uncertificated form may change such holdings into certificated form (and vice versa).

Article 18 — Execution of share certificates

Share certificates are no longer required to be sealed and this new article permits the Board to take advantage of this relaxation.

Articles 37 — 43 - Transfer of shares

The New Articles contain references to the fact that shares may be transferred in uncertificated form, and also make reference to the fact that shares may be admitted to the Official List of the UKLA. The discretion of the Directors to refuse to register transfers of partly-paid shares is limited within the New Articles to shares held in certificated form.

Article 40 — Notice of refusal to register a transfer of shares

The Companies Act 2006 has introduced a new requirement for companies to provide a transferee with reasons for the refusal where the directors refuse to register a transfer of shares. A company is also now under an obligation to register a transfer as soon as is practicable, rather than within two months as was the case under previous legislation. These requirements are reflected in the New Articles.

Article 43 — Renunciation deemed to be a transfer

This article gives the Board the same powers to refuse to give effect to a renunciation of a renounceable letter of allotment as if it would have in the case of a transfer of shares.

Article 49 — Disclosure of interests

This article sets out procedures under the Companies Act 2006, which enable the Company to require the disclosure by shareholders of interests in shares. In addition, the article also reflects current Listing Rule requirements on the sanctions which can be imposed on any shareholder failing to comply with a notice requiring disclosure of interests in shares. In the event that any person refuses to disclose information relating to the interests held in shares, the Board may restrict the transfer of shares and the payment of dividends in respect of shares, and may withdraw the right of the person in question to attend or vote at any general meeting. The article also deals with the circumstances in which restrictions on shares must be lifted and the provision of dividends and shares issued during any restricted period. Where the relevant shares represent less than 0.25 per cent of the issued shares of the same class, the only sanction which can be imposed is the withdrawal of the right to attend or vote at any general meeting.

Article 50 — Alteration of Share Capital

Previously, if a company wanted to purchase its own shares, consolidate or sub-divide its shares or reduce its share capital or other undistributable reserves, in addition to shareholder authority, specific provisions in its articles authorising it to undertake the relevant action were required. Under the Companies Act 2006, a company only needs shareholder authority to carry out any of these actions and it will no longer be necessary for the articles of a company to contain enabling provisions. Accordingly, the relevant enabling provisions are being removed from the Current Articles.

The remaining article regarding the alteration of share capital has been amended to make it clear that, where fractional entitlements arise on a consolidation of shares, the Directors may sell the shares representing such entitlements on the market or otherwise to such person at such time and at such price as they think fit. This is provided that the net proceeds of the disposal are distributed to the member in question, unless such proceeds are £5 or less, in which case they may be retained by the Company.

Articles 51 to 55 — General meetings

This article has been updated to remove references to extraordinary general meetings, which are now termed ‘general meetings’ under the Companies Act 2006. Also, to reflect the Companies Act 2006, this article has been amended to allow a general meeting (other than an annual general meeting) to consider a special resolution to be convened on 14 days’ notice whereas previously 21 days’ notice was required. In accordance with the Companies (Shareholder Rights) Regulations 2009, the Company intends to apply annually for shareholder approval to hold general meetings (other than annual general meetings) on 14 days notice.

Article 58 — Security arrangements at general meetings

In line with current market practice, the New Articles contain provisions which allow the Board to make any security arrangements which it considers appropriate as regards general meetings of the Company, and to also eject any attendees who cause the proceedings to become disorderly.

Article 61 — Adjournment

This article gives the chairman of a general meeting the power to adjourn the meeting without its consent if he considers it impracticable to hold or continue the meeting.

Article 62 — Meetings held in more than one place

The New Articles allow for a general meeting to be held in more than one place, provided that each person present is able to participate in the business of the meeting concerned and can hear and see all speakers present at the general meeting in question.

Article 63 — Amendments to resolutions

The New Articles reflect the common law position that no amendments to special resolutions (other than an amendment to correct an obvious error) may be considered or voted upon. The New Articles further state that an amendment to an ordinary resolution may be considered at a meeting of the Company if notice of the amendment has been received by the Company at least 48 hours before the meeting or if the chairman decides to accept or propose an amendment of a minor or formal nature or to correct a manifest error or one which he considers fit for consideration. The New Articles also provide that if the chairman consents, an amendment may be withdrawn by its proposer before it is put to the vote.

Articles 70 to 75 — Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles reflect this new legal position.

Articles 76 to 80 — Appointment of Proxies

The New Articles make it clear that multiple proxies may be appointed in respect of one member’s shareholding in the Company, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. In addition to the amendments made to allow proxies to vote on a show of hands as well as a poll, the New Articles allow for the appointment of proxies in electronic as well as hard copy form.

Article 81 — Determination of proxy’s authority

The New Articles provide that determination of the authority of a proxy or corporate representative is effective only if notice of determination is received by the Company at least two hours prior to the time of the meeting (no time period is provided in the Current Articles). The New Articles also extend the ability of a shareholder to determine the authority of an appointed proxy or corporate representative up to two hours prior to the time of any poll taken after the date of the meeting at which it is demanded.

Article 82 — Representatives of corporations

The New Articles entitle the Company to appoint multiple corporate representatives, in line with the Companies Act 2006.

Article 83 — Class meetings

The New Articles set out more detailed procedures in relation to the holding of class meetings, and specifically allow a poll to be called at a class meeting.

Article 86 — Appointment and retirement of directors

Under the Current Articles, one third of the directors are required to retire annually at each annual general meeting, regardless of the length of time served on the Board by the director in question. The New Articles provide that, in line with current recommended best practice for listed companies, each director shall retire and be eligible for reappointment at the third annual general meeting after the general meeting at which he was appointed or last reappointed. The Current Articles also provide that the managing director of the Company is exempt from retirement by rotation. The Board believes that it is now appropriate for all directors to submit themselves for periodic re-election and the New Articles do not exempt any directors from retirement by rotation. This is also in line with current best practice recommendations.

Article 87 — Age of Directors

The New Articles provide that directors shall not be required to retire from office automatically upon reaching the age of 70 or any other age and allows a director to be appointed as such even after attaining the age of 70.

Article 91 — Power of removal of directors by special resolution

This article provides for the removal of any director by a special resolution of the Company in general meeting. This is in addition to the statutory procedure which empowers the members to remove a director by ordinary resolution which can prove difficult to use in practice.

Article 93 — Alternate directors

This article has been extended so that, in addition to the provisions within the Current Articles, the appointment of an alternate director will also be revoked where the individual is not a director and the Board revokes its approval of him by resolution.

Article 100 to 103 — Powers of Directors

Currently, a company can only change its name by special resolution. The Companies Act 2006 allows directors to change a company's name, providing they are so authorised by the company's articles. The New Articles are being amended to give the Company the flexibility to enable the Directors to pass a resolution to change the Company's name.

The Companies Act 2006 allows directors of a company to make provisions for payments to employees or former employees in connection with the cessation or transfer of the business of the company, its subsidiaries or undertakings. Although similar provisions have existed under the Companies Act 1985, it has not been standard practice specifically to include such authority in the Articles. The Companies Act 2006 stipulates that these powers may only be exercised by directors if they are so authorised by the company's articles or by the company in general meeting. Therefore, the New Articles are being amended so that the Directors may continue to exercise this power.

Article 111 — Remuneration of directors

The Current Articles provide that the fees payable to directors for their services (excluding any special or additional services provided by that director, such as membership of any of the Company's committees) is determined by the Board, but shall not exceed in aggregate £100,000. It is proposed that the opportunity is taken to increase this aggregate limit to £200,000, in line with current market practice. These amendments are proposed in light of the fact that the total cap on fees has not been increased since the Current Articles were adopted in 1989 and is therefore substantially out of date. This also reflects the increasing cost of attracting and retaining suitable non-executive directors. An increase of the applicable limit will cater for the appointment of any additional directors to the Board.

Articles 115 to 133 — Directors' interests

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to give the relevant authorisation, and secondly, in taking the decision as to whether to authorise a conflict of interests, the directors must act in a way they consider, in good faith, will be most likely to promote the company's success.

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continued

The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. All provisions of the New Articles which deal with conflicts of interests have been updated to ensure that the current legislative position is reflected.

Article 136 — Notice of Board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address within the UK and if he does not do so he is not entitled to receive notice whilst he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place. The New Articles also provide that notice of directors' meetings may also be served electronically.

Article 158 — Uncashed dividends

This article allows the Company to stop sending cheques or warrants or give instructions for bank transfers to be made in the event that dividends remain uncashed or payment attempts have failed on one occasion and reasonable enquiries have failed to establish another address or account, as well as in the circumstances set out in the Current Articles where dividends remain uncashed or payment attempts have failed on two consecutive occasions.

Article 160 — Scrip Dividends

This article allows the Board to propose a resolution to be passed by the shareholders which permits the Company to offer shareholders the right to receive shares in place of cash dividends.

Article 163 — Delivery of annual accounts

The Companies Act 2006 enables companies to send to their shareholders a summary of financial statements instead of the present full audited accounts. This article permits the Company to take advantage of these provisions but this will not affect the rights of shareholders to receive the full audited accounts should they so wish.

Articles 166 to 170 — Notices

The Companies Act 2006 enables companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the provisions relating to website communications. Before the Company can communicate with a member by means of website communication, under the Companies Act 2006, the relevant member must be asked individually by the Company to agree that the Company can send or supply documents or information to him by means of a website. Further, the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information. The Company has no current intention of seeking individual shareholder consent to allow communications with shareholders by means of a website, however the Board considers it prudent to include the relevant authorities within the New Articles which would be required to allow such communication, should the Board decide to use website communication in the future.

Article 171 — Untraced member not entitled to notices

This article allows the Company to stop sending notices to a shareholder if the despatch of cheques or warrants to that shareholder has been suspended in accordance with the New Articles or if two consecutive notices to the shareholder's registered address or address for service have been returned undelivered. The Company will resume sending notices if the shareholder supplies a new registered address or address for service.

Article 172 — Proof of service

This article has been amended to contain provisions relating to proof of service of electronic documents, which is to be determined in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators.

Articles 178 — Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the Company will be permitted to provide money for the purpose of funding a director's defence in court proceedings, to include regulatory proceedings, in the event that the director concerned is acquitted or receives judgment in his favour, or in respect of proceedings which are otherwise concluded without any finding of fault on the part of the director concerned. The indemnity will also apply to associated companies.

In addition to the above, the following provisions of the Current Articles have no equivalent in the New Articles:-

General — Extraordinary Resolutions

The Current Articles contain provisions which refer to extraordinary resolutions. These provisions have been amended or removed as appropriate, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

Article 3 of the Current Articles — Authorised Share Capital

This provision of the Current Articles has been removed in its entirety to reflect the abolition under the Companies Act 2006 of the concept of authorised share capital as from 1 October 2009. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

Article 9 of the Current Articles — Purchase of own shares

Previously, if a company wanted to purchase its own shares, consolidate or sub-divide its shares or reduce its share capital or other undistributable reserves, in addition to shareholder authority, it required specific provisions in its Articles authorising it to undertake the relevant action. Under the Companies Act 2006 , a company will require only shareholder authority to do any of these things and it will no longer be necessary for the Articles to contain enabling provisions. Accordingly, the relevant enabling provisions are being removed from the New Articles.

Articles 47 to 50 of the Current Articles

The provisions of the Current Articles relating to the conversion of shares into stock and vice versa do not appear in the New Articles as the Board does not foresee any circumstances in which such a conversion would take place.

Article 60 of the Current Articles — Special Business

Previously, a Company was required to set out the general nature of "special business" to be transacted at a general meeting. As a consequence of this, the Current Articles set out that matters which are deemed to be special business. The Companies Act 2006 requires companies to set out the general nature of all business to be transacted, therefore references to "special business" have been deleted in the New Articles.

Article 68 — Chairman's Casting Vote

The Companies (Shareholders' Rights) Regulations 2009 state that traded companies can no longer permit the Chairman to have a casting vote upon an equality of votes at a shareholders' meeting. This provision does not therefore appear in the New Articles.

The Company's Objects

The provisions regulating the operations of the Company are currently set out in the Company's Articles, and also in the Memorandum of Association ('Memorandum'). The Company's Memorandum contains the objects clause which sets out the scope of the activities the Company is authorised to undertake. This clause is drafted to give a wide scope. Under the Companies Act 2006, the objects clause and all other provisions which are currently contained in a company's Memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's Articles but can be removed by special resolution.

The Companies Act 2006 further states that unless a company's Articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause, together with all other provisions of its Memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the Company's Articles Resolution 12.1 confirms the removal of these provisions for the Company.

As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders at Article 3.

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