CASTINGS P.L.C.

Annual Report 2008

Directors and Officers

Directors

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

Secretary and Registered Office

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

Registrars

Capita Registrars
Northern House,
Woodsome Park,
Fenay Bridge,
Huddersfield.
West Yorkshire, HD8 0LA
Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras)
Fax: 020 8658 3430

Auditors

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

Solicitors

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

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

Bankers

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

Stockbrokers

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

Registered No.

91580

Directors

Executive Directors

Brian Cooke

Aged 68, 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.

Chris Roby

Aged 60, he joined the company in 1988 as company secretary and was appointed finance director later in that year. Prior to that date he had been working in a professional accounting firm specialising in manufacturing and international companies.

David Gawthorpe

Aged 46, he joined the company in 1984 and became local technical director at Brownhills in 1994. He was appointed a director in 2003 and became chief executive in April 2007 and is the director with environmental responsibility.

Mark Lewis

Aged 44, he joined CNC Speedwell in 1990 becoming their managing director in 1996. He has overseen the machining requirements for the group and was appointed a director in 2003.

Graham Cooper

Aged 54, he joined William Lee in 1977 becoming operations director there in 2003 and their managing director on 1st January 2005, when he was appointed to the main board.

Non-Executive Directors

Gerard Wainwright

Aged 58, 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 continuous international experience. He is chairman of the remuneration committee and a member of the audit and nomination committees.

Paul King

Aged 71, he was appointed a director in 1998. He retired from practice as a partner with Coopers & Lybrand and is a member of the Boards of Claverley Group Limited and Thomas Walker plc. He is chairman of the audit committee and is regarded as the financial expert of that committee and is also a member of the remuneration and nomination committees.

Tony Smith

Aged 61, he joined the company in 1962 and became a director in 1985, ultimately being managing director at Brownhills. In 2004 he retired from executive duties. His continuing involvement is invaluable to the company with his experience in foundry production and human relations. He adds to the existing strength of our non-executive directors. He is a member of the audit, remuneration and nomination committees.

Chairman's Statement

Turnover has increased from £86.2m to £97.4m and profits before income taxes are up from £13.06m to £16.66m compared to last year.

An interim dividend of 2.71 pence per share was paid in January 2008. Your board recommends a final dividend of 7.29 pence per share compared with 6.94 pence per share last year.

Foundry Companies

Both Castings Brownhills and William Lee Ltd have enjoyed high demand for their castings during the year and despite pressure on costs due to continual increases in raw materials such as steel scrap, pig iron and alloy materials, the companies have managed to improve productivity and maintain margins.

The new foundry development at our William Lee site is progressing at full speed and with good co-operation from the local planning departments it has enabled us to commence the building without any delay. It is planned to start production early in 2009.

Continual investments are made at both Castings Brownhills and William Lee to update plant and improve productivity in order to maintain our competitiveness in the market and improve working conditions.

CNC Speedwell Ltd

The turnover has increased during the year by 21.4%, and the profits improved again. The company continues to win new orders from existing customers to such an extent that we have now re-opened our Fradley Park site. This has led to considerable refurbishment and moving costs being incurred during the year. We expect, with new contracts due to start production early in 2009, to be investing in new machines during this financial year and it is hoped benefits will come through during the second half of 2009, providing the market conditions remain favourable.

Prospects

It is extremely difficult to forecast the company's prospects for the coming year. Many external factors, such as forecasts given by customers and general order intake, have to be taken into account.

The outlook on demand at the present time is satisfactory, although we are now seeing adjustments in schedules from some customers, which are offset by increases from others. The rapid increases in steel scrap, pig iron and alloy prices since January 2008 are unprecedented in the market. These increases at such high levels have to be recovered and there is always a delay in recovery which will no doubt affect the first half results this year. We also expect further substantial energy cost increases in October 2008.

It is impossible to say how future demand will be affected by these unprecedented rises in costs; this has never occurred previously so we are moving into the unknown. It could be described as a 'crazy' situation.

Whatever the outcome of the current situation, however, the company is financially strong and is well placed to come through what may prove to be a difficult period.

Employees

Once again, on behalf of the board and the shareholders, I wish to thank all our employees for their support during this past year and it is hoped the current economic situation does not affect our employment levels and we can continue to grow and employ more people.

B. J. COOKE
Chairman
25th June 2008

Business and Financial Review

Turnover increased by 12.9% to £97.4 million, of which 65.9% was exported. The dispatch weight of castings to outside customers was 56,400 tonnes which was an increase of 2,900 tonnes from the previous year. The group produced 58,700 tonnes of castings compared to 56,000 tonnes last year. CNC Speedwell increased its turnover by 21.4%.

Despite significant cost increases, including unrecovered raw material and electricity costs, profit from operations increased by £3.6 million, and increased the operating margin to 15.6% from 13.4%.

Our policy of continual improvement and investment has again reduced the number of hours it takes to produce one tonne of castings, helping to increase the margin.

Despite ending the year with more cash, the greater variation in interest rates helped decrease finance income by £83,000 to £1,414,000, a decrease of 5.5%. Cash outflow included £9.4 million (2007: £9.6 million) on capital equipment, particularly for CNC Speedwell, and preparatory work for the new foundry at William Lee.

The pension valuation under IAS19 showed a surplus of £2.8 million but this has not been shown as an asset due to the restriction of recognition of assets under IAS 19.

The income statement shows a profit before tax of £16.7 million. However, this includes an income statement charge of £27,000 for defined benefit pension schemes (see note 5) in accordance with IAS 19. The directors view the cash contribution of £537,000 to be a relevant charge which would have given rise to a profit before taxation of £16.1 million.

The directors are recommending an increase of 5% in the final dividend that will be paid in August which, with the interim dividend paid in January, will result in the return of £4.4 million to shareholders.

Directors' Report

The directors submit their Annual Report and the Audited Accounts for the year ended 31st March 2008.

Trading activities

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

The progress of these companies during the year is recorded in the accounts, 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 7 and 8.

Dividends

An interim dividend of 2.71 pence per share was paid on 11th January 2008. The directors now recommend a final dividend of 7.29 pence per share payable on 22nd August 2008, making a total distribution of 10 pence for the year.

Share capital

The company's capital consists of 43,632,068 (2007: 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 which may be selected by the board in any manner whatever.

The movements in the share capital of the company during the year are shown in note 16 on page 29.

Directors

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

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

	Beneficial Holdings	
	2008	2007
B. J. Cooke	1,950,986	1,950,986
J. C. Roby	128,190	128,190
A. J. Smith	103,079	113,079
D. J. Gawthorpe	28,296	26,357
M. A. Lewis	3,025	3,025
C. P. King	—	—
G. B. Wainwright	—	—
G. Cooper	—	—

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:

B. J. Cooke
G. B. Wainwright
G. Cooper
by rotation

The unexpired period of the contracts of service for B. J. Cooke and G. Cooper is one year. Mr G. B. Wainwright does not have a contract of service.

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

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 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 director's 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 31st March 2008 and 25th June 2008:

	Number	%
Aberforth Partners' Clients	6,147,271	14.1
Hunter Hall Value Growth Trust	4,198,478	9.6
Aviva plc & subsidiaries	2,577,144	5.9
B. J. Cooke	1,950,986	4.5
Hamstall Investments Inc.	1,800,000	4.1
Rathbone Investment Management Ltd	1,600,000	3.7
Legal & General Group plc	1,516,376	3.5

Directors' Report

Business review

The Chairman's Statement on page 3, the Business and Financial Review on page 4, the Corporate Governance Statement on page 11, and the Notes to the Accounts on pages 21 to 33 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 2008.

Future prospects

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

Special business

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

Directors' authority to allot shares
Approval will be sought for a special resolution to renew the authority given to the directors to allot shares in the company. The present authority was granted on 14th August 2007 and under Section 80 of the Companies Act must be renewed at least every 5 years. Authority will also be sought from shareholders to allow the directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital.

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 18th August 2013 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 2007, 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 2008. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 10. This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in future earnings per share, and if it is in the best interests of shareholders generally.

Fixed assets

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

Employee involvement

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

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

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

Health and safety

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

Policy on payment of creditors

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them provided the supplier complies with all relevant terms and conditions. The company does not follow any code or standard on payment practice. Individual operating businesses within the group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The number of days' purchases outstanding for payment by the company at the year end was 43 (2007 – 41).

Financial instruments

Details of the use of financial instruments by the group are contained in note 19 of 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 Stoy Hayward LLP, have indicated their willingness to continue in office. A resolution proposing their reappointment as auditors of the company and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

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

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 7.

By order of the board

B. J. COOKE
Chairman

25th June 2008

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 dependant, this is not always possible to guarantee without risk of short term business disruption, additional costs and potentially, 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.

Information technology and systems reliability

The group is dependant 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.

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.

Review of Principal Risks and Uncertainties

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 value of the assets and liabilities of the group's defined benefit pension schemes is substantial. As at 31st March 2008 the schemes were in surplus on an IAS 19 basis. Further details are set out in note 5 to the financial statements. 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 advisors in managing the inherent risks of such schemes.

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 ISO14001 standard.
- Establishing procedures to review the impact of current or new activities or processes on the environment.
- Reviewing audit results and initiating corrective action to address any deficiencies found within the group's environmental management system, policy, objectives or targets.
- Using techniques to avoid, reduce or control pollution.
- Complying with all relevant 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 re-use, recycling and recovery of its waste products.
- Ensuring that environmental issues are considered when making decisions to invest in capital plant and in the planning and controlling of manufacturing processes.
- Promoting environmental awareness throughout the group and ensuring that personnel whose activities have the potential to cause a significant impact on the environment receive appropriate training.
- Ensuring that suppliers and contractors adopt environmental practices on site that are compatible with our exacting environmental standards.
- Establishing and maintaining adequate contingency procedures and plans to deal effectively with any accidental discharge or emission of pollutants.
- Communicating our Environmental Policy Statement to any 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 and, CNC Speedwell is working towards the standard having obtained ISO14001:1996. 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 practice 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 & 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.
- Provide 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 PLC recognises the importance of high standards of Corporate Governance. The board has considered the principles and provisions of the Combined Code published in 2006 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 2008.

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 complexity of the group.

Auditors' independence

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

Environment

The board 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.

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.

Corporate Governance

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

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

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

	Board		Audit Committee		Remuneration Committee	
Director	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
B. J. Cooke	9	9	—	—	—	—
D. J. Gawthorpe	9	9	—	—	—	—
J. C. Roby	9	8	—	—	—	—
M. A. Lewis	9	8	—	—	—	—
G. Cooper	9	9	—	—	—	—
C. P. King	9	9	2	2	1	1
G. B. Wainwright	9	9	2	1	1	1
A. J. Smith	9	8	2	1	1	1

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

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

Board committees

The principal committees established by the directors are:

Audit committee

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

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

Remuneration committee

As detailed in the remuneration report below.

Nomination committee

This committee comprised the three non-executive directors and 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.

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

After making 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 2008 the company complied with the Combined Code other than the following points:

- there are three non-executive directors but one does not conform to the definition of independent;
- the non-executive directors do not have specified term contracts;
- the chairman is also an executive director but on reduced hours;
- 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 7A to the Companies Act 1985 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 2008.

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 16 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. 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 2008

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

Annual bonus

Executive directors participate in a performance-related annual bonus scheme. Bonuses are payable based on the group obtaining profits before tax and exceptional items above a predetermined threshold. Details of annual bonuses payable in respect of 2008 are set out in the table below.

Directors' Emoluments*

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	2008 Total £000	2007 Total £000
B. J. Cooke	78	—	4	40	122	210
D. J. Gawthorpe	162	—	9	81	252	193
J. C. Roby	142	—	14	81	237	201
M. A. Lewis	135	—	9	81	225	189
G. Cooper	130	—	9	81	220	184
C. P. King	—	17	—	—	17	17
G. B. Wainwright	—	17	—	—	17	17
A. J. Smith	—	17	—	—	17	17
	647	51	45	364	1,107	1,028

Pension arrangements

Executive directors are members of the Castings P.L.C. Staff Pension and Life Assurance Scheme, a defined benefit scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The scheme provides for a pension accrued at 1/60th per year of service to 2005 and 1/80th per year thereafter of final pensionable remuneration based on capped basic salaries on retirement at normal retirement age. Pension contributions are not paid on benefits or bonuses.

Remuneration Report

Directors' pension entitlements*

Name of director	Age at year end	Directors' contributions in the year (note 1)	Increase in accrued pension during the year	Increase in accrued pension during year excluding any increase for inflation (note 2)	Transfer value of increase less directors' contributions	Accumulated total accrued pension at 31 March 2008 (note 3)	Accumulated total accrued pension at 31 March 2007 (note 3)	Transfer value of accrued benefits 31/03/2008	Transfer value of accrued benefits 31/03/2007	Difference in transfer values less contributions
		£	£	£	£	£	£	£	£	£
J. C. Roby	59	10,244	2,655	1,359	8,356	35,886	33,231	452,820	390,081	52,496
D. J. Gawthorpe	46	9,922	2,705	1,220	164	40,785	38,080	299,294	241,864	47,508
M. A. Lewis	44	8,967	2,066	1,434	1,484	18,259	16,193	129,591	97,151	23,473
G. Cooper	54	7,643	2,096	1,297	6,461	22,587	20,491	229,511	187,885	33,983

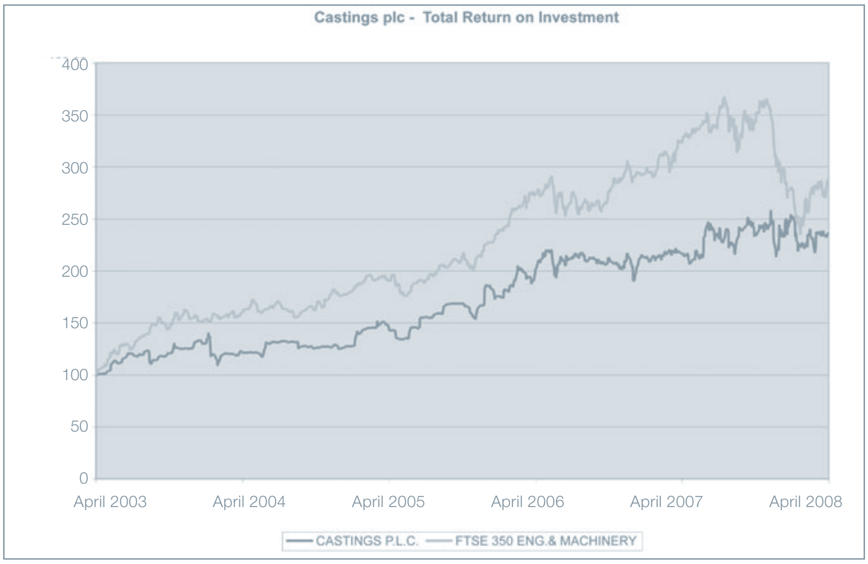
Notes to pension benefits:

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

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

Performance graph

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



Source: Thomson Financial – Thomson One Banker

Directors' contracts

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

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

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

On behalf of the board

G. B. WAINWRIGHT
Chairman of the remuneration committee

25th June 2008

Statement of Directors' Responsibilities

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

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

Group financial statements

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

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

Parent company financial statements

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

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

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

Independent Auditors' Report

To the shareholders of Castings P.L.C.

We have audited the group and parent company financial statements of Castings P.L.C. for the year ended 31st March 2008 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st March 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31st March 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Birmingham
25th June 2008

Consolidated Income Statement

for the year ended 31st March 2008

	Notes	2008 £000	2007 £000
Revenue	2	97,372	86,230
Cost of sales		(71,653)	(63,701)
Gross profit		25,719	22,529
Distribution costs		(1,369)	(1,293)
Administrative expenses		(9,100)	(9,676)
Profit from operations	3	15,250	11,560
Finance income	6	1,414	1,497
Profit before income tax		16,664	13,057
Income tax expense	7	(4,668)	(3,647)
Profit for the year attributable to equity holders of the parent company	17	11,996	9,410
Earnings per share			
Basic and diluted	9	27.49p	21.57p

Notes to the accounts are on pages 21 to 33.

Consolidated Balance Sheet

31st March 2008

	Notes	2008 £000	2007 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	38,772	35,495
Financial assets	11	736	823
		39,508	36,318
Current assets			
Inventories	12	7,054	6,318
Trade and other receivables	13	22,588	21,784
Cash and cash equivalents		31,494	25,452
		61,136	53,554
Total assets		100,644	89,872
LIABILITIES			
Current liabilities			
Trade and other payables	14	18,589	16,212
Current tax liabilities		1,816	883
		20,405	17,095
Non-current liabilities			
Retirement benefit obligations	5	—	—
Deferred tax liabilities	15	2,382	2,141
		2,382	2,141
Total liabilities		22,787	19,236
Net assets		77,857	70,636
Equity attributable to equity holders of the parent company			
Share capital	16	4,363	4,363
Share premium account	17	874	874
Other reserves	17	13	13
Retained earnings	17	72,607	65,386
Total equity		77,857	70,636

The accounts on pages 17 to 33 were approved and authorised for issue by the board of directors on 25th June 2008, and were signed on its behalf by:

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

Notes to the accounts are on pages 21 to 33.

Consolidated Cash Flow Statement

for the year ended 31st March 2008

	Notes	2008 £000	2007 £000
Cash flows from operating activities			
Cash generated from operations		21,440	12,582
Interest received		1,414	1,497
Tax paid		(3,462)	(2,858)
Net cash generated from operating activities		19,392	11,221
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,354)	(9,637)
Purchase of financial assets		—	(47)
Proceeds from disposal of property, plant and equipment		214	45
Proceeds from disposal of financial assets		—	220
Net cash used in investing activities		(9,140)	(9,419)
Cash flow from financing activities			
Dividends paid to shareholders		(4,210)	(4,036)
Net cash used in financing activities		(4,210)	(4,036)
Net increase/(decrease) in cash and cash equivalents		6,042	(2,234)
Cash and cash equivalents at beginning of year (see below)		25,452	27,686
Cash and cash equivalents at end of year (see below)		31,494	25,452
Cash and cash equivalents:		£000	£000
Short-term deposits	19	30,999	24,923
Cash available on demand	19	495	529
		31,494	25,452

This statement should be read in conjunction with the reconciliation on page 20.

Notes to the accounts are on pages 21 to 33.

Consolidated Statement of Recognised Income and Expense

for the year ended 31st March 2008

	Notes	Year to 31st March 2008 £000	Year to 31st March 2007 £000
Profit for the year		11,996	9,410
Change in fair value of available for sale financial assets		(87)	(143)
Actuarial losses on defined benefit pension schemes	5	(510)	(2,500)
Tax effect of gains and losses recognised directly in equity	15	32	780
Total recognised income for the year		11,431	7,547

Supplementary Statement

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

	Notes	Year to 31st March 2008 £000	Year to 31st March 2007 £000
Profit before income tax		16,664	13,057
Depreciation (net of profit on sale of property, plant and equipment)	10	5,863	6,663
Interest received		(1,414)	(1,497)
Excess of employer pension contributions over income statement charge		(510)	(4,413)
Increase in inventories		(736)	(1,042)
Increase in receivables		(804)	(1,335)
Increase in payables		2,377	1,149
Net cash inflow from operating activities		21,440	12,582

Notes to the accounts are on pages 21 to 33.

Notes to the Accounts

New standards effective in 2008 adopted by the group

IFRS 7, Financial instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements — capital disclosures (effective for accounting periods beginning on after 1st January 2007).

IFRS 7 introduces new requirements aimed at improving the disclosure of information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. Where those risks are deemed to be material to the group it requires disclosures based on the information used by key management. It replaces the disclosure requirements of IAS 32 'Financial Instruments: disclosure and presentation'. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The group has applied IFRS 7 and the amendment to IAS 1 to the accounts for the period beginning on 1st April 2007.

Basis of accounting

The financial information presented in these accounts has been prepared on the basis of all International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the group published by 31st March 2008 and endorsed by the EU. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. Further standards and interpretations may also be issued that will be applicable for financial years beginning on or after 1st April 2008 or that are applicable to later accounting periods but may be adopted early.

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

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

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

Basis of consolidation

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

Business combinations and goodwill

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

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

Revenue recognition

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

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

Post-retirement benefits

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

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

Property, plant and equipment

Under IAS 16 'Property, Plant and Equipment' assets are held at cost less accumulated depreciation. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

i. Freehold buildings over 50 years.

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

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

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

Inventories

In accordance with IAS 2 'Inventories' the group's inventories are valued at the lower of cost on a first in, first out basis and net realisable value. Cost includes a proportion of production overheads based on normal levels of activity. Provision is made for obsolete and slow-moving items.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments.

Foreign currencies

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

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

Non-derivative financial assets not included in the above category are classified as available-for-sale and 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 a separate component of equity. 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 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 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.

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

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

Current tax is provided for on the taxable profits of each company in the group, using current tax rates.

Dividends

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

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

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

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

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

IFRIC 14 Accounting for Pensions Surpluses. This gives guidance on when pension surpluses as calculated under IAS 19 should be capped (effective for periods beginning on or after 1st January 2008). The group intends to comply when it is applicable.

Amendments to IAS 1 Presentation of financial statements: A Revised Presentation (not endorsed by EU) — disclosue impact only.

Amendments to IAS 27 Consolidated and separate financial statements (not endorsed by EU) — disclosure impact only.

The following standard is not considered applicable to the group:

IFRIC 13 Customer Loyalty Programmes

Revised IFRS 3 Business Combinations

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.

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 10.

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.

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 5.

Notes to the Accounts

continued

2 Segment information

	2008 £000	2007 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	33,164	30,321
Sweden	19,730	17,145
Rest of Europe	42,710	37,377
North and South America	1,768	1,375
Other	—	12
	97,372	86,230

All turnover arises in the United Kingdom from the group's continuing principal activity, which the directors believe to be the only class of business carried out by the group. As a result it is not practical to provide segmental information.

3 Profit from operations

	2008 £000	2007 £000
This has been arrived at after charging/(crediting):		
Staff costs (note 4)	33,126	31,381
Depreciation of property, plant and equipment	5,913	6,663
Operating lease expense		
— Plant and machinery	328	216
Fees payable to the company's auditor for the audit of the company's annual accounts	22	20
Fees payable to the company's auditor for other services:		
— The audit of the company's subsidiaries	24	21
— Tax services	11	8
Profit on disposal of fixed assets	(50)	(62)

4 Employee information

Average number of employees during the year was:	2008	2007
Production	938	900
Management and administration	88	90
	1,026	990

	2008 £000	2007 £000
Staff costs (including directors) comprise:		
Wages and salaries	28,970	27,302
Short-term non-monetary benefits	323	410
Defined contribution pension costs	946	589
Defined benefit pension cost (note 5)	27	413
Employer's national insurance contributions and similar taxes	2,860	2,667
	33,126	31,381

Disclosures on directors emoluments are given in the Remuneration Report on page 13.

5 Pensions

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

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

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

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

Composition of the scheme

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6th April 2005 and updated to 31st March 2008 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):

	2008	2007
Rate of increase in salaries	4.6%	4.2%
Rate of increase of pensions in payment	3.6%	3.2%
Discount rate	5.9%	5.4%
Inflation assumption	3.6%	3.2%

5 Pension disclosures under IAS 19

	2008 £000	2007 £000
Change in benefit obligation		
Benefit obligation at beginning of year	38,774	38,872
Current service cost	540	539
Interest cost	2,100	1,939
Plan participants' contributions	479	387
Actuarial gain	(2,033)	(1,875)
Benefits paid	(817)	(1,088)
Benefit obligation at end of year	39,043	38,774
Change in plan assets		
Fair value of plan assets at beginning of year	43,122	36,959
Expected return on plan assets	2,613	2,065
Actuarial loss	(4,781)	(27)
Employer contribution	1,213	4,826
Member contributions	479	387
Benefits paid	(817)	(1,088)
Fair value of plan assets at end of year	41,829	43,122
Funded status	2,786	4,348
Effect of paragraph 58(b) limit	(2,786)	(4,348)
Net amount recognised in the balance sheet	—	—

	Year to 31st March 2008 £000	Year to 31st March 2007 £000
Components of pension cost		
Current service cost	540	539
Interest cost	2,100	1,939
Expected return on plan assets	(2,613)	(2,065)
Total pension cost recognised in the income statement (note 4)	27	413
Total pension cost recognised in the statement of recognised income and expense	(2,748)	1,848

Plan assets

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

	Plan assets at 31st March 2008 £000	Plan assets at 31st March 2007 £000
Assets category		
Equities	69%	71%
Bonds	23%	22%
Real estate	4%	4%
Other	4%	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 6.0% (2007 – 5.5%) assumption.

The projected pension cost for the year ending 31st March 2009 is £290,000.

Notes to the Accounts

continued

5 Pension disclosures under IAS 19 continued

	2008 £000	2007 £000
Actuarial return on plan assets	(2,168)	2,038
Weighted average assumptions used to determine benefit obligations:		
Discount rate	5.9%	5.4%
Rate of compensation increase	4.6%	4.2%
Weighted average assumptions used to determine net pension cost:		
Discount rate	5.4%	5.0%
Expected long-term return on plan assets	6.0%	5.5%
Rate of compensation increase	4.2%	3.9%

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

	2008		2007	
	Male Staff/ Shopfloor	**Female Staff/ Shopfloor**	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	21.1/19.4	24.0/22.2	21.1/19.4	24.0/22.2
Scheme member age 45 (life expectancy at age 65)	22.2/20.4	25.0/23.1	22.2/20.4	25.0/23.1

* Mortality tables are PA92 ,c (YOB) +1 for the Staff Scheme and PA92 (YOB) +1 for the Shopfloor Scheme.

History of experience gains and losses
Financial year ended in:

	2008 £000	2007 £000	2006 £000	2005 £000
Difference between expected and actual return on scheme assets:				
amount	(4,781)	(27)	4,661	1,369
percentage of scheme assets	11.0%	0%	13.0%	5.0%
Experience gains and losses on scheme liabilities:				
amount	(2,033)	(1,875)	2,674	1,266
percentage of scheme assets	5.0%	(5.0%)	7.0%	4.0%
Total gains and losses:				
amount	(2,748)	1,848	1,987	103
percentage of scheme assets	7.0%	5.0%	5.0%	0%

6 Finance income

	2008 £000	2007 £000
Interest on short-term deposits	1,364	1,322
Income from listed investments	42	30
Other	8	145
	1,414	1,497

7 Income tax

	2008 £000	2007 £000
Corporation tax based on a rate of 30% (2007 – 30%)		
UK Corporation tax		
Current tax on profits for the year	4,621	2,225
Adjustments to tax charge in respect of prior periods	(226)	(292)
Effect of changes in tax rate	(164)	—
	4,231	1,933
Deferred tax		
Current year origination and reversal of temporary differences	230	1,654
Prior year deferred tax movement	207	60
Taxation on profit on ordinary activities	4,668	3,647
Profit on ordinary activities before tax	16,664	13,057
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007 – 30%)	4,999	3,917
Effect of:		
Expenses not deductible for tax purposes	17	13
Franked investment income	(12)	(51)
Adjustment to tax charge in respect of prior periods	(226)	(292)
Adjustment to deferred tax charge in respect of prior periods	207	60
Effect of changes in tax rate	(164)	—
Pension adjustments taken to equity	(153)	—
Total tax charge for period	4,668	3,647
Effective rate of tax (%)	28.01	27.93

8 Dividends

	2008 £000	2007 £000
Final paid of 6.94p per share for the year ended 31st March 2007 (2006 – 6.67p)	3,028	2,910
Interim paid of 2.71p per share (2007 – 2.58p)	1,182	1,126
	4,210	4,036

The directors are proposing a final dividend of 7.29 pence (2007 – 6.94 pence) per share totalling £3,181,000 (2007 – £3,028,000). This dividend has not been accrued at the balance sheet date.

9 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £11,996,000 (2007 – £9,410,000) and on the weighted average number of shares in issue at the end of the year of 43,632,068 (2007 – 43,632,068).

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

10 Property, plant and equipment

	Land and buildings £000	Plant and other equipment £000	Total £000
Cost			
At 1st April 2007	12,516	68,175	80,691
Additions during year	1,540	4,111	5,651
Assets in course of construction	—	3,703	3,703
Disposals	—	(1,874)	(1,874)
At 31st March 2008	14,056	74,115	88,171
Depreciation and amounts written off			
At 1st April 2007	2,018	43,178	45,196
Charge for year	256	5,657	5,913
Disposals and adjustments	—	(1,710)	(1,710)
At 31st March 2008	2,274	47,125	49,399
Net book values			
At 31st March 2008	11,782	26,990	38,772
At 31st March 2007	10,498	24,997	35,495
Cost			
At 1st April 2006	10,955	61,237	72,192
Additions during year	1,561	8,076	9,637
Disposals	—	(1,138)	(1,138)
At 31st March 2007	12,516	68,175	80,691
Depreciation and amounts written off			
At 1st April 2006	1,712	37,914	39,626
Charge for year	306	6,357	6,663
Disposals and adjustments	—	(1,093)	(1,093)
At 31st March 2007	2,018	43,178	45,196
Net book values			
At 31st March 2007	10,498	24,997	35,495
At 31st March 2006	9,243	23,323	32,566

The net book value of group land and buildings includes £1,625,000 (2007 – £1,625,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2007 – £359,000).

Notes to the Accounts

continued

11 Financial assets

	2008 £000	2007 £000
Available for sale assets	736	823

	2008 £000	2007 £000
At 1st April 2007	823	1,139
Additions	—	47
Disposals	—	(220)
Net gains/(losses) transferred to equity	(87)	(143)
	736	823

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.

12 Inventories

	2008 £000	2007 £000
Raw materials	1,861	1,458
Work in progress	2,727	2,672
Finished goods	2,466	2,188
	7,054	6,318

13 Trade and other receivables

	2008 £000	2007 £000
Due within one year:		
Trade receivables	18,648	18,368
Other receivables	2,273	1,778
Prepayments	1,667	1,638
	22,588	21,784

14 Trade and other payables

	2008 £000	2007 £000
Current trade and other payables:		
Trade payables	10,607	8,004
Social security	1,415	1,682
Other payables	349	326
Accruals and deferred income	6,218	6,200
	18,589	16,212

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007 – 30%). The movement on the deferred tax account is shown below:

Deferred tax — net

	2008 £000	2007 £000
At 1st April 2007	2,141	1,207
Taken to equity	(32)	(780)
Charge	273	1,714
At 31st March 2008	2,382	2,141

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

Deferred tax liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1st April 2007	3,107	(966)	2,141
Charged to income statement	(267)	540	273
Charged to statement of recognised income and expense	—	(32)	(32)
At 31st March 2008	2,840	(458)	2,382

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

	2008 £000	2007 £000
Tax on actuarial gains	—	(737)
Tax on change in fair value of available for sale financial assets	(32)	(43)
Tax on items taken directly to reserves	(32)	(780)

16 Share capital

	2008 £000	2007 £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

As described in the share capital accounting policy 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.

Notes to the Accounts

continued

17 Statement of changes in shareholders' equity

	Share capital (a)	Share premium (b)	Capital redemption reserve (c)	Retained earnings (d)	Total equity
	£000	£000	£000	£000	£000
At 1st April 2007	4,363	874	13	65,386	70,636
Profit retained	—	—	—	11,996	11,996
Dividends	—	—	—	(4,210)	(4,210)
Changes in fair value of available for sale financial assets	—	—	—	(87)	(87)
Actuarial gains/(losses) on pension schemes	—	—	—	(510)	(510)
Tax on items taken to reserves	—	—	—	32	32
At 31st March 2008	4,363	874	13	72,607	77,857
At 1st April 2006	4,363	874	13	61,875	67,125
Profit retained	—	—	—	9,410	9,410
Dividends	—	—	—	(4,036)	(4,036)
Changes in fair value of available for sale financial assets	—	—	—	(143)	(143)
Actuarial gains on pension schemes	—	—	—	(2,500)	(2,500)
Tax on items taken to reserves	—	—	—	780	780
At 31st March 2007	4,363	874	13	65,386	70,636

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) Capital redemption reserve — Amounts transferred from share capital on redemption of issued shares.
d) Retained earnings — Cumulative net gains and losses recognised in the consolidated income statement.

18 Commitments	2008	2007
	£000	£000
Capital commitments contracted for by the group but not provided for in the accounts	10,380	3,283

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.

Principal financial instruments

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

- trade 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 monthly 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	
	2008 £000	2007 £000
Current financial assets		
Trade and other receivables	22,588	21,784
Cash and cash equivalents	31,494	25,452
Total current financial assets	54,082	47,236

	Financial liabilities measured at amortised cost	
	2008 £000	2007 £000
Current financial liabilities		
Trade and other payables	18,589	16,212
Total current financial liabilities	20,405	17,095

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.

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.

No major renegotiation of terms has taken place during the year. There are no customers with restricted accounts.

19 Financial instrument risk exposure and management continued
The carrying value of the group's trade and other receivables are denominated in the following currencies:

	2008 £000	2007 £000
Sterling	13,894	13,151
Euro	4,724	5,217
US$	30	—
	18,648	18,368

At 31st March 2008 trade receivables of £1,957,000 (2007 – £1,751,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2008 £000	2007 £000
30–60 days	1,768	1,665
60–90 days	119	84
90+ days	70	2
	1,957	1,751

At 31st March 2008 trade receivables of £312,000 (2007 – £580,000) were past due and impaired. The amount of the provision at 31st March 2008 was £563,000 (2007 – £634,000). The ageing of these receivables is as follows:

	2008 £000	2007 £000
30–60 days	76	235
60–90 days	28	137
90+ days	208	208
	312	580

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

	2008 £000	2007 £000
Opening balance	634	331
(Decrease)/increase in provisions	(71)	446
Written off against provisions	—	(143)
Recovered amounts reversed	—	—
Closing balance	563	634

Impairment gains on trade receivables of £71,000 (2007 – losses £446,000) were recognised in administration 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 and foreign exchange facilities amounting to £10,000,000 (2007 – £10,000,000) which are reviewed on an annual basis. Based on these facilities, 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).

As at 31st March 2008 trade receivables of £16,379,000 (2007 – £16,037,000) were not past due. Against these balances impairment provisions of £300,000 (2007 – £320,000) were made.

19 Financial instruments 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 11).

Furthermore, where the group has generated a significant amount of surplus cash it will invest in high quality commercial paper instruments if liquidity risk is not unduly compromised. Although the directors, on investing in such instruments never intend to dispose of commercial paper 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. Although variations in market value are reflected in the group balance sheet, over the life of the instruments these variations have a neutral impact on the 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 (2007 – £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.

The group had no outstanding foreign currency forward at 31st March 2008 (2007 – £nil).

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

	Floating rate assets 2008 £000	Fixed rate assets 2008 £000	Interest free assets 2008 £000	Total £000
Sterling	299	30,728	13,894	44,921
$US	137	—	30	167
Euro	59	271	4,724	5,054
	495	30,999	18,648	50,142

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

	Interest free liabilities 2008 £000	Interest free liabilities 2007 £000
Sterling	10,170	7,669
Euro	437	335
	10,607	8,004

Fixed rate assets attracted interest rates between 5.48% to 6.89% (2007 – 5.0% to 5.56%) on sterling deposits and interest rates of between 6.00% to 6.50% (2007 – 3.39%) on euro 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 six 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 £147,000/(£167,000) (2007 – £129,000/(£126,000)).

The group believes that possible movements on exchange rates of +/–5% could be possible, the effect of which is that profit before tax would increase/(decrease) by (£238,000)/£264,000 (2007 – (£251,000)/£238,000.

Fair value

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

Five Year Review — unaudited

For the years ended 31st March	2008 IFRS £000	2007 IFRS £000	2006 IFRS £000	2005 IFRS £000	2004 UK GAAP £000
Trading results					
Revenue	97,372	86,230	76,696	69,037	61,176
Profit before tax	16,664	13,057	12,701	9,632	8,693
Profit after tax	11,996	9,410	8,755	6,792	6,079
Dividends	4,210	4,036	3,875	3,704	3,678
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	73,494	66,273	62,762	56,368	54,772
Total equity	77,857	70,636	67,125	60,731	59,135
Assets					
Property, plant and equipment	38,772	35,495	32,566	33,163	31,043
Financial assets	736	823	1,139	984	704
Deferred tax asset	—	—	574	1,877	—
	39,508	36,318	34,279	36,024	31,747
Current assets	61,136	53,554	53,411	47,314	43,617
Total liabilities	(22,787)	(19,236)	(20,565)	(22,607)	(16,229)
	77,857	70,636	67,125	60,731	59,135
Dividends and earnings					
Pence per share paid and proposed	10.0	9.52	9.20	8.79	8.43
Number of times covered	2.7	2.3	2.3	1.8	1.6
Earnings per share — basic and diluted	27.49p	21.57p	20.07p	15.57p	13.93p

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

Parent Company Balance Sheet

31st March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	4	12,848	13,370
Investments	5	6,017	6,104
Current assets			
Stocks	6	4,530	3,780
Debtors	7	20,218	19,589
Short-term deposits		20,588	15,892
Cash at bank and in hand		413	428
		45,749	39,689
Creditors — amounts falling due within one year	8	14,446	12,524
Net current assets		31,303	27,165
Total assets less current liabilities		50,168	46,639
Provisions for liabilities	9	(483)	(97)
		49,685	46,542
Capital and reserves			
Called up share capital	10	4,363	4,363
Share premium	11	874	874
Capital redemption reserve	11	13	13
Profit and loss account	11	44,435	41,292
Shareholders' funds		49,685	46,542

The parent company accounts on pages 35 to 39 were approved and authorised for issue by the board of directors on 25th June 2008, and were signed on its behalf by:

B. J. Cooke *Chairman*

J. C. Roby *Finance Director*

Notes to the accounts are on pages 36 to 39.

Notes to the Parent Company Accounts

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

1 Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention except for revaluation of certain financial instruments as required by FRS 26 and in accordance with applicable UK Accounting Standards and the Companies Act 1985.

Depreciation

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

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

Freehold land is not depreciated.

Pension costs

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

Turnover

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

Stocks

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

Foreign currencies

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

Deferred tax

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

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

Investments

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

Financial Instruments
a) 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.

Unless otherwise indicated, the carrying amounts of the groups financial assets are a reasonable approximation of their fair values.

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 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.

2 Company profit and loss account

Castings P.L.C. has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The company's profit after tax and dividends was £3,230,000 (2007 – loss £228,000).

The profit and loss account includes £22,000 (2007 – £20,000) for audit fees.

3 Dividends

	2008 £000	2007 £000
Final paid of 6.94p per share for the year ended 31st March 2007 (2006 – 6.67p)	3,028	2,910
Interim paid of 2.71p per share (2007 – 2.58p)	1,182	1,126
	4,210	4,036

The directors are proposing a final dividend of 7.29 pence (2007 – 6.94 pence) per share totalling £3,181,000 (2007 – £3,028,000). This dividend has not been accrued at the balance sheet date.

4 Fixed assets

	Land and buildings £000	Plant and other equipment £000	Total £000
Cost			
At 1st April 2007	9,239	23,254	32,493
Additions during year	—	1,150	1,150
Disposals	—	(1,120)	(1,120)
At 31st March 2008	9,239	23,284	32,523
Depreciation and amounts written off			
At 1st April 2007	1,494	17,629	19,123
Charge for year	160	1,502	1,662
Disposals and adjustments	—	(1,110)	(1,110)
At 31st March 2008	1,654	18,021	19,675
Net book values			
At 31st March 2008	7,585	5,263	12,848
At 31st March 2007	7,745	5,625	13,370

The net book value of land and buildings includes £1,225,000 (2007 – £1,225,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2007 – £359,000).

5 Investments

	2008 £000	2007 £000
Subsidiary companies		
At cost	5,281	5,281
Listed investments at market value	736	823
	6,017	6,104

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

Notes to the Parent Company Accounts

continued

6 Stocks

	2008 £000	2007 £000
Raw materials	710	406
Work in progress	2,317	1,886
Finished goods	1,503	1,488
	4,530	3,780

7 Debtors

	2008 £000	2007 £000
Due within one year:		
Trade debtors	14,451	13,596
Amounts owed by subsidiary companies	2,530	3,348
Other debtors	2,266	1,769
Prepayments	971	876
	20,218	19,589

8 Creditors

	2008 £000	2007 £000
Due within one year:		
Trade creditors	5,281	4,277
Amounts owed to subsidiary companies	3,414	2,782
Corporation tax	949	361
Other taxation and social security	721	758
Other creditors	205	182
Accruals	3,876	4,164
	14,446	12,524

9 Provisions for liabilities

	2008 £000	2007 £000
Deferred taxation		
At 1st April 2007	97	(107)
Taxation deferred this year	386	204
At 31st March 2008	483	97
Deferred tax is provided as follows:		
Accelerated capital allowances	885	1,006
Other timing differences	(402)	(909)
	483	97

10 Called up share capital

	2008 £000	2007 £000
Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

11 Reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1st April 2007	4,363	874	13	41,292	46,542
Profit retained	—	—	—	3,230	3,230
Changes in fair value of investments	—	—	—	(87)	(87)
At 31st March 2008	4,363	874	13	44,435	49,685

12 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the year	7,440	3,808
Changes in fair value of investments	(87)	(143)
Dividends	(4,210)	(4,036)
Net addition to shareholders' funds	3,143	(371)
Opening shareholders' funds	46,542	46,913
Closing shareholders' funds	49,685	46,542

13 Employee information

	2008	2007
Average number of employees during the year was:		
Production	434	443
Management and administration	32	32
	466	475

	2008 £000	2007 £000
Staff costs (including directors) comprise:		
Wages and salaries	13,745	13,235
Short-term non-monetary benefits	215	209
Defined contribution pension cost	169	161
Defined benefit pension cost	520	589
Employer's national insurance contributions and similar taxes	1,316	1,272
	15,965	15,466

14 Pensions

It is not possible to identify the company's share of the underlying assets and liabilities in respect of the group defined benefit schemes on a consistent and reasonable basis. Contributions to the schemes by the company are based on professional and independent actuarial advice. During the year the contributions payable by the company to the funds amounted to £520,000 (2007 – £589,000). The last valuation was performed with an effective date of 6th April 2005. Further details of the schemes are contained in note 5 of the consolidated accounts of Castings P.L.C.

15 Capital commitments

	2008 £000	2007 £000
Authorised, but not provided in the accounts	134	203

Notice of Meeting

Notice is hereby given that the one hundred and first 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, 19th August 2008 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 2008.

2 To declare a final dividend.

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

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

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

6 To approve the directors' remuneration report for the year ended 31st March 2008.

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

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

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

(b) the foregoing authority shall expire on 18th August 2013 save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired;

(c) the foregoing authority shall be in substitution for the authorities given to the directors under Section 80 of the Companies Act 1985 on 14th August 2007, which authorities are accordingly hereby revoked;

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

As special business
As special resolutions

9 THAT the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 8 set out in the notice convening this meeting as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited:

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

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

and shall expire at the conclusion of the next Annual General Meeting following the date of this resolution save that the Company shall be entitled before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. 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 Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163 of the Companies Act 1985) of any of its ordinary shares of 10p each (the "ordinary shares"), provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844 representing 9.99% of the issued share capital at 31st March 2008;

(b) the minimum price which may be paid for each ordinary share is 10p, exclusive of the expenses of purchase;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for the ordinary shares as derived from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the day of purchase;

(d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company following the date of this resolution, unless such authority is renewed on or prior to such date;

(e) the Company may, before the expiry of this authority, conclude a contract to purchase ordinary shares under this authority which will or may be executed wholly or partly after such expiry and may make a purchase of ordinary shares pursuant to any such contract, as if such authority had not expired.

The record date for payment of the final dividend is 25th July 2008. Assuming the final dividend is approved by the members, the dividend will be paid on 22nd August 2008.

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

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

25th June 2008

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

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.

To have the right to attend and vote at the Annual General Meeting a person must be entered on the register of members on or before 6.00 pm on 15th August 2008 (being not more than 48 hours prior to the time fixed for the meeting).