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# **CASTINGS P.L.C.**



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## **Annual Report 2002**

# Directors and Officers

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## Directors

B. J. Cooke, AdvDipNFC, MIBritF *Chairman and Managing Director*  
A. J. Smith, MIBritF, IEng *Executive Director*  
J. C. Roby, FCA *Finance Director*  
T. Woodhouse, CEng, MIMechE, MIGasE, FIBF *Executive Director*  
C. P. King, FCA *Non-executive*  
G. B. Wainwright, MIMgt, MIEEx, FRSA *Non-executive*

## Secretary and Registered Office

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

## Registrars

Capita IRG Plc  
Balfour House,  
390-398 High Road,  
Ilford,  
Essex, IG1 1NQ  
Tel: (020) 8639 2000  
Fax: (020) 8478 2876

## Auditors

R. A. Lea & Co.  
Chartered Accountants  
123 High Street,  
Birmingham, B12 0JU

## Solicitors

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

Pinsent Curtis Biddle  
3 Colmore Circus,  
Birmingham, B4 6BH

## Bankers

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

## Stockbrokers

Old Mutual Securities  
Temple Court,  
35 Bull Street,  
Birmingham, B4 6ES

## Registered No.

91580

# Five Year Review

For the years ended 31st March	2002 £000	2001 £000 as restated	2000 £000	1999 £000	1998 £000
Turnover	56,120	55,475	55,939	62,477	66,757
Profit for the year before taxation	9,894	10,726	10,220	11,863	11,415
Profit after taxation	6,991	7,533	7,220	8,127	7,898
Dividends	3,423	3,269	3,123	2,970	2,544
<b>Capital employed</b>					
Share capital	4,358	4,358	4,361	4,357	4,349
Share premium account	832	790	748	710	649
Reserves	50,925	47,411	44,386	40,289	35,132
Deferred taxation	1,876	1,277	148	148	121
Total capital employed	<u>57,991</u>	<u>53,836</u>	<u>49,643</u>	<u>45,504</u>	<u>40,251</u>
<b>Represented by</b>					
Fixed assets	53,735	42,636	38,959	38,216	34,876
Less aggregate depreciation	<u>25,325</u>	<u>23,251</u>	<u>21,010</u>	<u>18,782</u>	<u>15,467</u>
Fixed assets at net book value	28,410	19,385	17,949	19,434	19,409
Investments	704	704	694	695	695
Net current assets	<u>28,877</u>	<u>33,747</u>	<u>31,000</u>	<u>25,375</u>	<u>20,147</u>
Total net assets	<u>57,991</u>	<u>53,836</u>	<u>49,643</u>	<u>45,504</u>	<u>40,251</u>
<b>Dividends and earnings</b>					
Pence per share paid and proposed	7.85	7.50	7.16	6.82	5.85
Number of times covered	2.0	2.3	2.3	2.7	3.1
Earnings per share — pence	16.05	17.27	16.56	18.68	18.28

# Chairman's Statement

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**Our profits are slightly lower than last year, down from £10.726m to £9.894m on turnover marginally up from £55.47m to £56.12m.**

An interim dividend of 2.26 pence per share was paid in January 2002. Your Board recommends a final dividend of 5.59 pence per share compared with 5.32 pence per share last year.

Although the profits are slightly lower than last year, they are considered satisfactory considering the reduction in demand from the commercial vehicle manufacturers. We have seen a drop in our investment income due to the reduced interest rates and also the effects of our large capital expenditure programme and in this respect you will note an increase in the depreciation charge.

The past year has perhaps been one of our most rewarding for many years. We have invested some £12.5m to secure our immediate future.

At Brownhills we have re-equipped our oldest foundry with a new Disamatic moulding machine and an extended cooling line. We have also replaced an electric melting plant to enable us to make ductile iron in all our foundries. We have invested in 18 robotic grinding and fettling machines to help improve our products and also improve the working environment for our employees.

At William Lee we have built a new green sand foundry with a moulding plant supplied by Georg Fischer Disa and an electric melting plant. This complete foundry cost is in excess of £6m and together with 6 robotic grinding machines enables us to fully interchange work between the companies.

CNC was mainly dependent on the commercial vehicle manufacturers who reduced demand by 25% during the year. We have obtained new orders from two major automobile companies and we look forward to enlarging our customer base and expanding the company. The results will improve during this financial year.

Your company is in a very satisfactory and healthy position: we have invested

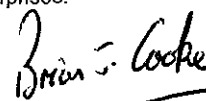
heavily to remain competitive, to increase our exports and to be able to compete in a world market.

The group has now got foundry capacity to increase production by at least 15% and it is our intention to continue to grow the machining and finishing business in a controlled manner. We will be building a new machining facility at Brownhills which will be equipped with flexible manufacturing systems to improve productivity. We also intend to continue to improve our existing facilities with further investment in robotic grinding machines and coremaking machines in order to contain cost increases outside our control.

It is disappointing that of the many cost improvements we make, the benefits go to pay for increased insurance premiums and next year we will be confronted with a 1% increase in National Insurance contributions. One sincerely hopes the money will be well spent and the health service improves for the benefit of our employees and families.

It is encouraging to report that customer schedules at this present time show improvements and demands from the commercial vehicle industries are returning to near previous levels. Our US business is now recovering from a low level and it is hoped, when their economy recovers, more business can be obtained in future years. It is hoped this improvement will be sustained and our shareholders and employees will be rewarded for our recent capital expenditure programme.

Once again many thanks to all our directors, staff and employees for their continued support during another year full of surprises.



B. J. COOKE  
Chairman  
24th May 2002

# Directors' Report

**The directors submit their Report and the Audited Accounts for the year ended 31st March 2002.**

## Trading activities

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

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

## Profit and appropriations

An interim dividend of 2.26 pence per share was paid on 11th January 2002. The directors now recommend a final dividend of 5.59 pence per share payable on 16th August 2002, making a total distribution of 7.85 pence for the year.

The profit for the year and the proposed appropriations are set out in detail on page 9.

## Share capital

The movements in the share capital of the company during the year are shown in note 17 on page 16.

## Employee share schemes

Under the terms of the Executive Share Option Scheme the board has granted directors and senior employees options to purchase shares in the company.

Options outstanding under this scheme at 31st March 2002 were as follows:

Date of grant	Normal date of exercise	Option price	Number of shares	
			2002	2001
June 1992	June 1995 — June 2002	93.5p	50,000	100,000

During the year, 50,000 shares were issued under the terms of the 1986 Executive Share Option Scheme. No options have yet been granted from the 1998 Share Savings Scheme or the 1998 Executive Share Option Schemes.

## Directors

The present directors of the company are listed on page 1 and their interests in the shares of the company in note 4 on the accounts.

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

J. C. Roby  
A. J. Smith } — by rotation;

The unexpired periods of the contracts of service for J. C. Roby and A. J. Smith are two years.

Paul King, FCA was appointed a non-executive director with effect from 1st January 1998. He retired from practice as a partner with Coopers & Lybrand and is a member of the Boards of Claverley Company, Thomas Walker plc and Gabriel & Co. Ltd. He is chairman of the audit committee. Gerard Wainwright was appointed on 1st May 1998 and has been chief executive of a wide range of manufacturing companies for over twenty years together with continuous international experience. He is chairman of Sealine International Limited. He is chairman of the remuneration committee.

The company benefits from their wide experience of manufacturing and other industries.

## Substantial shareholdings

The directors have been notified that the following investors, other than directors, held interests in 3% or more of the company's issued share capital at 31st March 2002 and 8th June 2002:

	Number	%
Hunter Hall Value Growth Trust	4,420,761	10.1
Britannic Assurance plc	2,660,000	6.1
Lupus Capital plc	1,850,000	4.2
Hamstall Investments Inc.	1,800,000	4.1
3i Group plc	1,764,456	4.0
Caledonia General Investments Ltd	1,346,526	3.1

Between 31st March 2002 and 8th June 2002, Hunter Hall Value Growth Trust Ltd acquired an additional 1,965,000 ordinary shares of the company, bringing their holding to 14.6%.

## 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 2001 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 £217,910, being approximately 5% of the current issued share capital.

Both Authorities are to be for the period commencing on the date of passing of the Resolution until 12th August 2007. The proposed Resolutions are set out as Items 6 and 7 in the Notice of Meeting.

#### *Authority to purchase own shares*

At the Annual General Meeting in 2001, the board was given authority to purchase and cancel up to 6,532,202 of its own shares representing 14.99% 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 6,532,952 of its own shares, representing 14.99% of its issued share capital at 31st March 2002. The authority is sought by way of a special resolution, details of which are also included in the notice of the meeting as item 8 on page 17. 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 earnings per share, and if it is in the best interests of the 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.

Share option schemes are in operation whereby options are granted to employees to purchase shares on special terms.

## **Health and safety**

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

## **Employment of disabled persons**

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

## **Research and development**

Research and development facilities are an integral part of our manufacturing operations and accordingly any expenditure is not separately determinable.

## **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. The number of days' purchases outstanding for payment by the company at the year end was 37.

## **Auditors**

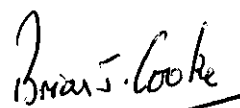
R. A. Lea & Co. have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors of the company will be submitted at the Annual General Meeting.

## **Close company**

So far as is known, the company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

## **Capital gains tax**

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



By order of the board

BRIAN J. COOKE  
Chairman

24th May 2002

# Corporate Governance

## Going concern

The directors have a reasonable expectation that the group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Internal control

The Combined Code 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 2002.

## 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 company's auditors have reviewed the above statements in accordance with guidance issued by the Auditing Practices Board. The auditors have confirmed that the directors' comments on going concern and internal financial control are consistent with the information of which they are aware based on normal audit work on the accounts and have satisfied themselves that the statements appropriately reflect the company's compliance with the other paragraphs of the Combined Code specified for their review. They have not carried out the additional work necessary to, and do not, express an opinion on the effectiveness of the group's corporate governance procedures, nor the ability of the group to continue in operational existence.

## Environment

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

Specifically the company is committed to:

- Implementing and maintaining an Environmental Management System in accordance with the ISO14001 standard.
- Establishing procedures to review the impact of current or new activities or processes on the environment.
- Reviewing audit results and to initiate corrective action to address any deficiencies found within the group's environmental management system, policy, objectives or targets.
- Using techniques to avoid, reduce or control pollution.
- Complying with all relevant environmental legislation, process, planning and discharge authorisations, as appropriate to its operations.
- Pursuing best practice techniques in the use of energy and raw materials.
- Encouraging the beneficial re-use, recycling and recovery of its waste products.
- Ensuring that environmental issues are considered when making decisions to invest in capital plant and

in the planning and controlling of manufacturing processes.

- Promoting environmental awareness throughout the group and to 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.
- Establish and maintain adequate contingency procedures and plans to deal effectively with any accidental discharge or emission of pollutants.
- Communicate our Environmental Policy Statement to any interested parties.

## Board of directors

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

## Board committees

The principal committees established by the directors are:

### Audit committee

This committee comprises the two 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.

### Remuneration committee

This committee comprises the two 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.

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.

In framing the remuneration policy consideration has been given to the best practice provisions adopted by the UK Listing Authority. See note 4 for disclosures.

### Nomination committee

The board as a whole acts as this committee for the purpose of considering new board appointments.

## Relations with shareholders

The company holds meetings from time to time with institutional

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

### Summary

The board takes its responsibilities seriously even though there are a number of the provisions of the Code with which it

does not comply. It does not feel that the size or complexity of the group and the way in which it governs would be enhanced or strengthened by further changing the already existing high standards of corporate governance practised.

Except as noted above, for the year ended 31st March 2002 the company complied with the Combined Code other than the following points:

- there are only two independent non-executive directors;
- the non-executive directors have non-specified term contracts;
- the chairman is also the chief executive;
- the chairman is not subject to re-election every three years.

These are considered appropriate in relation to the size of the company.

## Statement of Directors' Responsibilities

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures and explained in the accounts;

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which

disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditors' Report

to the shareholders of Castings P.L.C.

### *We have audited the accounts on pages 8 to 16.*

These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority ("FSA"), and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 or the Listing Rules regarding directors' remuneration and

transactions with the group is not disclosed.

We review whether the statement on page 6 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the FSA, 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 the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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. It also includes an assessment of the significant estimates and judgements

made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31st March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**R. A. Lea & Co.**  
Chartered Accountants  
and Registered Auditors  
123 High Street  
Birmingham, B12 0JU  
24th May 2002

# Accounting Policies

## Basis of accounting

*The accounts have been prepared in accordance with applicable Accounting Standards under the historical cost convention. The group accounts include the results of the holding company and its subsidiary companies for the year ended 31st March 2002. All activities included in these accounts are continuing.*

*The company has taken advantage of the exemption from presenting its own profit and loss account.*

## Adoption of new accounting standards

Adoption of new Financial Reporting Standards 17, 18 and 19 have been applied in 2002. The transitional arrangements of FRS 17 have been adopted which has necessitated additional disclosure but does not represent a change in accounting policy. FRS 18 has been adopted in the current year but this did not require any change in accounting policy. FRS 19 has been adopted in the current year, which represents a change in accounting policy, and the comparative figures have been restated accordingly (note 20).

## 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.

## 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, machinery and equipment	10% to 25%
Motor vehicles	25% to 33%

Freehold land is not depreciated.

## Stocks and work in progress

Stocks 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.

## Goodwill

Prior to 31st March 1998, goodwill arising on consolidation was written off to reserves in the year of acquisition. As permitted by FRS10, this goodwill has not been reinstated in the balance sheet and remains written off to reserves. Goodwill arising on subsequent acquisitions will be capitalised and amortised over its useful economic life. The profit or loss arising on the sale of a previously acquired business includes the attributable goodwill.

## Turnover

Turnover is the aggregate of the invoiced values of sales (less returns and allowances) charged to external customers of the group, excluding value added tax.

## Pension costs

The costs 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 SSAP24.

## 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 group's taxable profits and its results as stated in the financial statements.

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.

## Derivatives and other financial instruments (FRS13)

The group has considered the requirements of FRS13 and has determined that no disclosures are required in relation to short-term debtors and creditors or any other matters except the following table which shows the currency rate exposure of the financial assets comprising short-term deposits of £26,781,000:

	2002	2001
Currency	£'000	£'000
Sterling	26,148	32,745
Euro	495	—
US\$	138	—

The above financial assets bear floating rate interest at the relevant short-term market rate.

Unused bank overdraft and foreign exchange facilities amounting to £2,250,000 are reviewed on an annual basis.

# Group Profit and Loss Account

for the year ended 31st March 2002

	Notes	2002 £000	2001 £000
<b>Turnover from continuing operations</b>	1	56,120	55,475
Cost of sales		39,707	39,121
Gross profit		16,413	16,354
Operating costs	2	8,190	7,576
Operating profit from continuing operations		8,223	8,778
Other income	7	1,671	1,948
<b>Profit on ordinary activities before taxation</b>	3	9,894	10,726
Taxation on ordinary activities	8	2,903	3,193
<b>Profit on ordinary activities after taxation</b>		6,991	7,533
Dividends	9	3,423	3,269
<b>Retained profit for the year</b>	18	3,568	4,264
<b>Earnings per share</b>	10	16.05p	17.27p
<b>Diluted earnings per share</b>	10	16.04p	17.23p
<b>Statement of total recognised gains and losses</b>			
Profit attributable to shareholders		6,991	7,533
Prior year adjustment — adoption of FRS19 "Deferred Taxation"	20	(1,129)	—
Total recognised gains and losses since last annual report		5,862	7,533

# Balance Sheets

31st March 2002

	Notes	Group		Company	
		2002	2001 as restated	2002	2001 as restated
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11	28,410	19,385	12,007	8,481
<b>Investments</b>	12	704	704	5,985	5,985
<b>Current assets</b>					
Stocks	13	3,509	3,726	1,889	2,132
Debtors	14	12,597	11,703	8,410	8,533
Short-term deposits		26,781	32,745	23,804	24,750
Cash at bank and in hand		586	543	1	168
		<u>43,473</u>	<u>48,717</u>	<u>34,104</u>	<u>35,583</u>
<b>Creditors — amounts falling due within one year</b>	15	<u>14,596</u>	<u>14,970</u>	<u>10,352</u>	<u>10,935</u>
<b>Net current assets</b>		<u>28,877</u>	<u>33,747</u>	<u>23,752</u>	<u>24,648</u>
<b>Total assets less current liabilities</b>		<u>57,991</u>	<u>53,836</u>	<u>41,744</u>	<u>39,114</u>
<b>Provisions for liabilities and charges</b>	16	<u>1,876</u>	<u>1,277</u>	<u>779</u>	<u>445</u>
		<u>56,115</u>	<u>52,559</u>	<u>40,965</u>	<u>38,669</u>
<b>Capital and reserves</b>					
Called up share capital	17	4,358	4,358	4,358	4,358
Share premium	18	832	790	832	790
Capital redemption reserve	18	13	8	13	8
Profit and loss account	18	50,912	47,403	35,762	33,513
<b>Shareholders' funds</b>		<u>56,115</u>	<u>52,559</u>	<u>40,965</u>	<u>38,669</u>

The accounts on pages 8 to 16 were approved by the board of directors on 24th May 2002, and were signed on its behalf by:

Brian J. Cooke  
J. C. Roby

} *Brian J. Cooke*  
Directors  
*J. C. Roby*

# Group Cash Flow Statement

for the year ended 31st March 2002

	Notes	2002		2001	
	(a)	£000	£000	£000	£000
Net cash inflow from operating activities			11,325		11,735
Returns on investments and servicing of finance:					
Interest received			1,671		1,948
Taxation			(3,264)		(3,190)
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		(12,450)		(4,384)	
Investments made		—		(10)	
Sale of tangible fixed assets		7		53	
			(12,443)		(4,341)
Equity dividends paid			(3,301)		(3,150)
Cash outflow before use of liquid resources and financing			(6,012)		3,002
Management of liquid resources:					
Decrease in short-term deposits			5,964		(2,535)
Financing:					
Change in ordinary share capital			(13)		(71)
Decrease in cash	(b)		(61)		396

## Notes to the group cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

	2002	2001
	£000	£000
Operating profit	8,223	8,778
Depreciation and adjustments on disposals	3,418	2,895
Decrease in stocks	217	(317)
(Increase) in debtors	(894)	315
Increase in creditors	361	64
Net cash inflow from operating activities	11,325	11,735

(b) Reconciliation of net cash flow to movement in net funds (note c)

Decrease in cash in the period	(61)	396
Decrease in liquid resources	(5,964)	2,545
Change in net funds from cash flows	(6,025)	2,941
Net funds at 1st April 2001	33,992	31,051
Net funds at 31st March 2002	27,967	33,992

(c) Analysis of net funds

	2001	Cash flows	2002
	£000	£000	£000
Cash at bank and in hand	543	43	586
Bank overdraft	—	(104)	(104)
	543	(61)	482
Short-term deposits	32,745	(5,964)	26,781
Investments	704	—	704
		(5,964)	
Total	33,992	(6,025)	27,967

# Notes on the Accounts

## 1 Geographical analysis of turnover

	2002 £000	2001 £000
The geographical analysis of turnover for the year is as follows:		
United Kingdom	29,252	31,067
Sweden	8,540	8,687
Rest of Europe	17,763	15,036
North and South America	564	685
Africa and Asia	1	—
	<u>56,120</u>	<u>55,475</u>

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

## 2 Operating costs

Distribution	1,050	913
Administrative	7,140	6,663
	<u>8,190</u>	<u>7,576</u>

## 3 Trading profits are stated after charging

Depreciation	3,418	2,895
Auditors' remuneration — audit services	30	30
Auditors' remuneration — non-audit services (taxation)	4	4
	<u>3,452</u>	<u>2,929</u>

## 4 Information regarding directors

### Directors' emoluments

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	2002 Total £000	2001 Total £000
B. J. Cooke	114	—	11	46	171	175
A. J. Smith	103	—	8	46	157	163
J. C. Roby	95	—	9	46	150	156
T. Woodhouse	96	—	10	46	152	157
C. P. King	—	14	—	—	14	14
G. B. Wainwright	—	14	—	—	14	14
J.N. Roxburgh	—	—	—	—	—	31
B. Grice	—	—	—	—	—	14
	<u>408</u>	<u>28</u>	<u>38</u>	<u>184</u>	<u>658</u>	<u>724</u>

The performance related bonuses are related to the profitability of the group. Pension contributions are not paid on benefits and only paid on a capped element of bonuses which in aggregate totalled £24,000.

Messrs Cooke, Smith and Roby have contracts of service terminable on two years' notice. Mr Woodhouse has a service contract 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 view 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. Messrs King and Wainwright do not have a contract of service.

The highest paid director received total remuneration of £171,000 (2001: £175,000).

### Aggregate disclosure

	2002 £000	2001 £000
Aggregate emoluments	658	724
Pensions to directors and former directors	6	6
	<u>664</u>	<u>730</u>

### Directors' pension entitlements

The following directors had accrued entitlements under a defined benefit scheme:

	Accrued pension 31st March 2002 £	Increase in pension accrued excluding inflation in year ended 31st March 2002 £	Transfer value of increase at 31st March 2002 net of member contributions £
B. J. Cooke	70,723	3,501	39,606
A. J. Smith	51,540	3,578	27,699
J. C. Roby	21,790	2,103	13,159
T. Woodhouse	17,830	2,044	21,189

### Directors' interests

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

	2002	2001
B. J. Cooke	1,950,986	1,950,986
A. J. Smith	127,400	127,400
J. C. Roby	128,190	121,998
T. Woodhouse	37,788	37,788
C. P. King	—	—
G. B. Wainwright	—	—

# Notes on the Accounts

continued

## 4 Information regarding directors *continued*

There have been no changes in the shareholdings of directors between 31st March 2002 and 8th June 2002.

### Directors' options

There were no options outstanding or granted during the year.

## 5 Employee cost

Average number of employees during the year was

	2002	2001
Production	868	907
Management and administration	87	87
	<u>955</u>	<u>994</u>
	<b>£000</b>	<b>£000</b>
Aggregate remuneration paid to all employees	20,976	20,838
Social security costs	1,863	1,891
Pension costs	951	800
Other employee costs	224	219
	<u>24,014</u>	<u>23,748</u>

## 6 Pension costs

The group has continued to account for pensions in accordance with SSAP24. The disclosures given below are those required by that standard. FRS17 Retirement Benefits was issued in November 2000 but will not be fully mandatory for the group and the company until the year ended 31st March 2004. Prior to this, phased transitional disclosures are required. The required disclosures are shown below. The net pension cost in the profit and loss account was £851,000 (2001 – £800,000). There was an additional charge of £100,000 to cover past service liabilities.

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. Annual contributions are determined on the recommendations of independent actuaries every three years and are charged against profits in the year in which they are made.

The latest actuarial valuation was made as at 6th April 1999 using the attained age method. It assumed that the rate of return on investments was 6.5% per annum for pre-retirement and 5% per annum for post-retirement, and the rate of increase in wages and salaries was 4% per annum.

The next actuarial valuation was due as at 6th April 2002.

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 — FRS17 disclosures

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 1999 and updated to 31st March 2002 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	At 31st March 2002
Rate of increase in salaries	3.3%
Rate of increase of pensions in payment	2.8%
Rate of increase in deferred pensions	2.8%
Discount rate	6.0%
Inflation assumption	2.8%

The assets in the schemes and the expected rates of return were:

	Expected rate of return	At 31st March 2002 <b>£000</b>
Equities	7.0%	18,098
Bonds	5.3%	2,935
Property	7.0%	<u>328</u>
Total market value of assets		21,361
Actuarial value of liability		<u>20,658</u>
Recoverable surplus in the scheme		703
Related deferred tax liability		<u>211</u>
Net pension asset		<u>492</u>

# Notes on the Accounts

continued

## 6 Pension costs continued

	At 31st March	
	2002	
	£000	
Net assets excluding pension asset		56,115
Pension assets		21,361
		<u>77,476</u>
Net assets including pension asset		
	At 31st March	
	2002	
	£000	
Profit and loss reserve excluding pension assets		50,912
Pension reserve		492
		<u>51,404</u>
Profit and loss reserve		

## 7 Other income

	2002	2001
	£000	£000
Interest on short-term deposits	1,504	1,896
Income from listed investments	47	43
Rental income	120	7
Other	—	2
	<u>1,671</u>	<u>1,948</u>

## 8 Taxation

Corporation tax at 30%	2,367	3,210
Deferred taxation	599	—
Taxation adjustments in respect of previous years	(63)	(17)
	<u>2,903</u>	<u>3,193</u>

The standard rate of corporation tax is 30%, whereas the current tax assessed for the financial year as a percentage of profit before tax is 23.9% (2001 — 29.9%). The differences are explained below:

Profit on ordinary activities before tax	9,894	10,726
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	2,968	3,218
Capital allowances in excess of depreciation for the year	(617)	(30)
Expenses not deductible for tax purposes	16	22
	<u>2,367</u>	<u>3,210</u>

Corporation tax charge for the period

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

## 9 Dividends on ordinary shares

Interim paid of 2.26p per share (2001 — 2.18p)	984	952
Final proposed of 5.59p per share (2001 — 5.32p)	2,439	2,317
	<u>3,423</u>	<u>3,269</u>

## 10 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £6,991,000 (2001 — £7,533,000) and on the weighted average number of shares in issue at the end of the year of 43,547,068 (2001 — 43,631,652).

The calculation of diluted earnings per share is based on the above profits on ordinary activities after taxation and 43,597,068 shares being the weighted average number of shares in issue during the year after adjustment for the effect of dilutive share options (2001 — 43,731,652).

## 11 Fixed assets — Tangible

	Land and buildings £000	Plant and other equipment £000	Total £000
a) Group			
<b>Cost</b>			
At 31st March 2001	7,189	35,447	42,636
Additions during year	1,590	10,860	12,450
Disposals	—	(1,351)	(1,351)
	<u>8,779</u>	<u>44,956</u>	<u>53,735</u>
At 31st March 2002			
<b>Depreciation and amounts written off</b>			
At 31st March 2001	1,938	21,313	23,251
Charge for year	102	3,316	3,418
Disposals and adjustments	—	(1,344)	(1,344)
	<u>2,040</u>	<u>23,285</u>	<u>25,325</u>
At 31st March 2002			
<b>Net book values</b>			
At 31st March 2002	6,739	21,671	28,410
At 31st March 2001	5,251	14,134	19,385

## 11 Fixed assets — Tangible *continued*

	Land and buildings £000	Plant and other equipment £000	Total £000
<b>b) Company</b>			
<b>Cost</b>			
At 31st March 2001	3,992	15,128	19,120
Additions during year	65	4,599	4,664
Disposals	—	(1,116)	(1,116)
At 31st March 2002	4,057	18,611	22,668
<b>Depreciation and amounts written off</b>			
At 31st March 2001	793	9,846	10,639
Charge for year	72	1,066	1,138
Disposals and adjustments	—	(1,116)	(1,116)
At 31st March 2002	865	9,796	10,661
<b>Net book values</b>			
At 31st March 2002	3,192	8,815	12,007
At 31st March 2001	3,199	5,282	8,481

The net book value of group land and buildings includes £1,016,000 (2001 – £1,016,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (2001 – £359,000).

## 12 Investments

	2002		2001	
	Group £000	Company £000	Group £000	Company £000
Subsidiary companies				
At cost		5,281		5,281
Other investments other than loans				
At cost	704	704	704	704
	704	5,985	704	5,985

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 mainly in the United Kingdom. See the Directors' Report for trading activities.

The market value of other investments at 31st March 2002 was £1,207,000 (2001 – £1,170,000).

## 13 Stocks

	2002		2001	
	Group £000	Company £000	Group £000	Company £000
Raw materials	691	312	833	333
Work in progress	1,201	600	1,282	877
Finished goods	1,617	977	1,611	922
	3,509	1,889	3,726	2,132

## 14 Debtors

	2002		2001	
	Group £000	Company £000	Group £000	Company £000
Due within one year:				
Trade debtors	11,726	8,139	11,356	8,209
Amount owed by subsidiary companies	—	7	—	4
Other debtors	263	260	316	315
Prepayments	608	4	31	5
	12,597	8,410	11,703	8,533

# Notes on the Accounts

continued

## 15 Creditors

	2002		2001	
	Group £000	Company £000	Group £000	Company £000
Due within one year				
Bank overdraft	104	89	—	—
Trade creditors	5,190	2,402	4,506	2,389
Amounts owed to subsidiary companies	—	803	—	936
Corporation tax	1,375	1,010	2,335	1,550
Other taxation and social security	925	471	1,147	486
Other creditors	328	164	290	124
Accruals	4,235	2,974	4,375	3,133
Proposed dividend	2,439	2,439	2,317	2,317
	<u>14,596</u>	<u>10,352</u>	<u>14,970</u>	<u>10,935</u>

## 16 Provisions for liabilities and charges

			as restated	as restated
	Group £000	Company £000	£000	£000
Deferred taxation				
At 31st March 2001	1,277	445	148	5
Prior year adjustment (note 20)	—	—	1,129	440
As restated	<u>1,277</u>	<u>445</u>	<u>1,277</u>	<u>445</u>
Taxation deferred this year	599	334	—	—
At 31st March 2002	<u>1,876</u>	<u>779</u>	<u>1,277</u>	<u>445</u>

## 17 Called up share capital

Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,582,068 10p ordinary shares	<u>4,358</u>	<u>4,358</u>

During the year, 50,000 ordinary shares were issued at 93.5 pence under the terms of the Share Option Schemes and 45,000 shares were cancelled.

## 18 Reserves

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Group profit and loss £000
At 31st March 2001 as previously stated	790	8	33,953	48,532
Prior year adjustment (note 20)	—	—	(440)	(1,129)
At beginning of year as restated	<u>790</u>	<u>8</u>	<u>33,513</u>	<u>47,403</u>
Premium on shares issued in year	42	—	—	—
Transfer between reserves	—	5	(5)	(5)
Share buy-backs	—	—	(54)	(54)
Retained profit for the year	—	—	2,308	3,568
At 31st March 2002	<u>832</u>	<u>13</u>	<u>35,762</u>	<u>50,912</u>

## 19 Reconciliation of movements in shareholders' funds

	2002		2001	
	Group £000	Company £000	Group £000	Company £000
Profit for the year	6,991	5,731	7,533	6,439
Dividends	(3,423)	(3,423)	(3,269)	(3,269)
	<u>3,568</u>	<u>2,308</u>	<u>4,264</u>	<u>3,170</u>
New share capital subscribed	42	42	47	47
Share buy-backs	(54)	(54)	(118)	(118)
	<u>3,556</u>	<u>2,296</u>	<u>4,193</u>	<u>3,099</u>
Opening shareholders' funds	52,559	38,669	49,495	36,010
Prior year adjustment (note 20)	—	—	(1,129)	(440)
Closing shareholders' funds	<u>56,115</u>	<u>40,965</u>	<u>52,559</u>	<u>38,669</u>

## 20 Prior year adjustment

Financial Reporting Standard 19, issued by the Accounting Standards Board relating to deferred tax, became applicable to our accounts for the first time this year. This has necessitated a change of accounting policy to fully provide for deferred tax instead of partial provision. As a change of accounting policy is accounted for as a prior year adjustment, previous year figures have been restated as appropriate. The previous year's profit has not been affected by this change as the provisions arose prior to these years and deferred tax and reserves have been adjusted by £1,129,000.

## 21 Capital commitments

	2002 £000	2001 £000
Authorised, but not provided in the accounts	<u>1,673</u>	<u>5,940</u>

# Notice of Meeting

Notice is hereby given that the ninety-fifth Annual General Meeting of Castings P.L.C. will be held at Holiday Inn, Birmingham M6, Junc. 7, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on Tuesday, 13th August 2002 at 3.30 p.m. for the following purposes:

## As ordinary business

- 1 To receive and consider the directors' report and audited accounts for the year ended 31st March 2002.
- 2 To declare a final dividend.
- 3 To re-elect Mr. J. C. Roby as a director.
- 4 To re-elect Mr. A. J. Smith as a director.
- 5 To reappoint R. A. Lea & Co. as auditors of the company at a fee to be agreed with the directors.

## As special business

### As an ordinary resolution

#### 6 THAT:

- (a) the directors be 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 £641,793, which represents approximately 14.7% of the current issued share capital of the company;
- (b) the foregoing authority shall expire on 12th August 2007 save that the company may before such expiry make an offer or enter into an agreement which 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 2001, which authorities are accordingly hereby revoked.

### As a special resolution

- 7 THAT the directors be 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 6 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 £217,910, 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.

- 8 THAT the company be and is hereby generally and unconditionally authorised to make 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 6,532,952 representing 14.99% of the issued share capital at 31st March 2002;
- (b) the minimum price which may be paid for each ordinary share is 10p, exclusive of the expenses of purchase;

- (c) the maximum price 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 of the company 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 next annual general meeting of the company, 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 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;
- (f) 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 earnings per share, and if it is in the best interests of the shareholders generally.

- 9 To transact any other ordinary business of an Annual General Meeting.

The record date for payment of the final dividend is 19th July 2002. Assuming the final dividend is approved by the members, the dividend will be paid on 16th August 2002.

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

Lichfield Road,  
Brownhills,  
West Midlands, WS8 6JZ.

5th July 2002

## Note:

Any member of the company entitled to attend and vote at this meeting may appoint a proxy, who need not also be a member, to attend and vote in his stead. The instrument appointing a proxy must be received at the Registered Office of the company not less than 48 hours before the time appointed for the meeting.