

Company No.91580

CASTINGS PLC

ANNUAL REPORT 1998

Directors and Officers

Directors

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

Secretary and Registered Office

J. C. Roby, FCA
Lichfield Road,
Brownhills,
West Midlands, WS8 6JZ
Tel: (01543) 374341
Fax: (01543) 377483

Registrars

IRG plc
Balfour House,
390-398 High Road,
Ilford,
Essex, IG1 1NQ
Tel: (0181) 478 8241
Fax: (0181) 478 2876

Auditors

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

Solicitors

Kenneth Cooke & Co.
18 Lichfield Street,
Walsall,
West Midlands, WS1 1UB

Pinsent Curtis
3 Colmore Circus,
Birmingham B4 6BH

Bankers

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

Stockbrokers

Albert E Sharp
Temple Court,
35 Bull Street,
Birmingham B4 6ES

Five Year Review

For the years ended 31st March	1998 £000	1997 £000	1996 £000	1995 £000	1994 £000
Turnover	66,757	62,274	58,343	50,160	39,327
Profit for the year before taxation	11,415	10,563	9,433	7,529	5,250
Profit after taxation	7,898	7,049	6,399	5,254	3,448
Dividends	2,544	2,132	1,842	1,436	1,104
Capital employed					
Share capital	4,349	4,281	4,277	4,258	2,124
Share premium account	649	138	115	16	250
Reserves	33,482	28,128	23,215	18,658	16,715
Deferred taxation	121	123	441	489	508
Total capital employed	<u>38,601</u>	<u>32,670</u>	<u>28,048</u>	<u>23,421</u>	<u>19,597</u>
Represented by					
Fixed assets	34,876	29,796	24,901	21,891	18,744
Less aggregate depreciation	<u>15,467</u>	<u>13,012</u>	<u>10,733</u>	<u>9,000</u>	<u>7,683</u>
Fixed assets at net book value	19,409	16,784	14,168	12,891	11,061
Investments	695	698	684	592	602
Net current assets	<u>18,497</u>	<u>15,188</u>	<u>13,196</u>	<u>9,938</u>	<u>7,934</u>
Total net assets	<u>38,601</u>	<u>32,670</u>	<u>28,048</u>	<u>23,421</u>	<u>19,597</u>
Dividends and earnings (see note)					
Pence per share paid	5.850	4.980	4.310	3.375	2.600
Number of times covered	3.1	3.3	3.5	3.7	3.1
Earnings per share — pence	18.28	16.47	15.01	12.36	8.135

Note

The statistics of dividends and earnings have been adjusted to reflect the scrip issue made on 10th August 1994.

Chairman's Statement

Group results and dividend
I am pleased to report that the group turnover increased from £62.3m to £66.7m and profits before tax increased from £10.56m to £11.41m.

An interim dividend of 1.68 pence per share was paid in January 1998. Your board recommends a final dividend of 4.17 pence per share compared with 3.55 pence per share last year. Again dividends have increased consistently since 1984.

The results are considered satisfactory and they could not have been achieved without the commitment of our employees who have worked willingly and efficiently, and for this I would like to thank them.

The new plant at William Lee, commissioned in August 1997, is working at a satisfactory level. The introduction of this plant did cause us additional costs. Further additional costs will be incurred when a new moulding plant will be commissioned at Brownhills to replace a plant built in 1977.

All companies in the group have increased turnover and profits during the year and our investment in machining castings at CNC Speedwell and W. H. Booth is proving worthwhile.

The company will continue to invest, remain world-class and, provided we accept the challenges and demands required in a world market, can view the future with confidence.

Directors

Tom Locker retired as a non-executive director on 30th April 1998. Tom, since he joined us in 1985, has contributed an enormous amount to the growth of your company. Our thanks to him and best wishes for a long and happy retirement.

Paul King was appointed a non-executive director on 1st January 1998 and Gerard Wainwright was appointed on 1st May 1998.

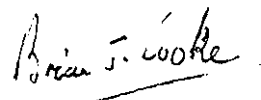
The above two appointments, in the opinion of the directors, will add outside experience and at the same time will satisfy the Corporate Governance requirement. It is hoped our shareholders support us with these appointments.

In conclusion, it is pleasing to note that the pound sterling has recently weakened and both our customers and ourselves will be able to export with more confidence. Currently all companies are working with a satisfactory order book and we sincerely hope this will continue to enable us to progress as a company.

B. J. COOKE

Chairman

22nd May 1998



Directors' Report

*The directors submit their
Report and the Audited
Accounts for the year
ended 31st March 1998.*

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. W. H. Booth & Co. Limited supplies precision castings in spheroidal graphite iron from the foundries in Rotherham and Brownhills, and William Lee Limited supplies spheroidal graphite iron castings from Dronfield, Sheffield. 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 1.68 pence per share was paid on 16th January 1998. The directors now recommend a final dividend of 4.17 pence per share payable on 14th August 1998, making a total distribution of 5.85 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 16 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 1998 were as follows:

Date of grant	Normal date of exercise	Option price	Number of shares	
			1998	1997
June 1992	June 1995 — June 2002	93.5p	269,500	325,700

During the year, 56,200 shares were issued under the terms of the 1986 Executive Share Option Scheme, and 627,090 shares were issued from the 1986 Sharesave Scheme. No options have yet been granted from the 1997 Share Savings Scheme or the 1997 Executive Share Option Schemes.

Directors

The present directors of the company are listed on page 1.

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

B. Grice	}	— by rotation;
T. Woodhouse		
C. P. King	}	— having been appointed since the last Annual General Meeting
G. B. Wainwright		

The unexpired periods of the contracts of service for B. Grice and T. Woodhouse are one year. Neither C. P. King nor G. B. Wainwright has a contract of service.

Tom Locker retired as a non-executive director on 30th April 1998 after having had a long and distinguished career in various manufacturing industries and between 1982 and 1990 was managing director of W. H. Booth & Co. Limited.

Paul King, FCA was appointed a non-executive director with effect from 1st January 1998. On retirement from practice as a partner with Coopers & Lybrand he was appointed to the Boards of Birmingham Midshires Building Society, Claverley Company, Thomas Walker plc and Gabriel & Co. Ltd. He was appointed chairman of the audit committee with effect from 14th May 1998. Gerard Wainwright was appointed a non-executive director with effect from 1st May 1998. He has been chief executive of a wide range of manufacturing companies for twenty years together with continuous international experience and has directorships of other fully quoted companies. He was appointed chairman of the remuneration committee with effect from 14th May 1998.

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

Substantial shareholdings

The directors have been notified that the following investors held interests in 3% or more of the company's issued share capital at 31st March 1998:

	Number	%
Britannic Assurance plc	4,800,000	11.0
3i Group plc	3,999,996	9.2
The Equitable Life Assurance Society	2,481,085	5.7
Lloyds TSB Group plc	2,100,000	4.8
Prudential Corporation plc	1,837,500	4.2
Hamstall Investments Inc.	1,600,000	3.7

In addition, 3i Group plc controls the exercise of the voting rights attaching to 932,860 ordinary shares registered in the name of the 3i Smaller Quoted Companies Trust plc.

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.

Charitable and political contributions

Donations to charitable organisations amounted to £624.

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.

Year 2000

The group is well aware of the need to ensure that its systems and procedures will not be disrupted by the advent of the year 2000, and has a team addressing the issues arising. These relate primarily, but not exclusively, to computer systems. Our systems are generally PC network based and, where necessary, are being modified or replaced as appropriate. Our software is a combination of proprietary systems for accounting and similar routines,

and bespoke systems. The proprietary systems are either understood to be compliant, or will be upgraded to compliant form by releases due in the next twelve months. The bespoke systems are being upgraded to meet changing requirements, and millennium compliance is being considered as part of this process. Major items of plant and machinery are also being investigated to ensure their workings are millennium compliant. In addition, the millennium compliance of key customers and suppliers is being ascertained.

European single currency

The planned move to a single European currency will lead to a reduction in the number of currencies with which we are obliged to deal. The group's systems are already able to deal with a variety of foreign currencies and in the short term the introduction of the Euro should therefore present no new problems.

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.

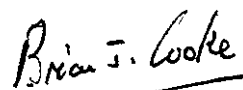
Capital gains tax

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

22nd May 1998



Corporate Governance and Statement of Directors' Responsibilities

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 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 financial statements. The financial statements 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 Code of Best Practice 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.

Board of directors

The board meets regularly to monitor the current state of business and to determine its future strategic direction. The board currently comprises six 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

During the year the board did not feel that any of its joint responsibilities should be delegated to an audit committee and accordingly the whole board constituted the audit committee.

From 14th May 1998, 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

During the year the full board acted as the remuneration committee.

From 14th May 1998, this committee comprises the two non-executive directors and the chairman of the group, and is chaired by G. B. Wainwright.

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 1998 the company complied with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance other than having only two independent non-executive directors and having a chairman who is also the chief executive, both of which 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.

Auditors' Report

to the shareholders of Castings P.L.C.

We have audited the accounts on pages 8 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

We have also examined the amounts disclosed relating to the emoluments, and share options, of the directors which form part of the report to shareholders at note 4 on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 6, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

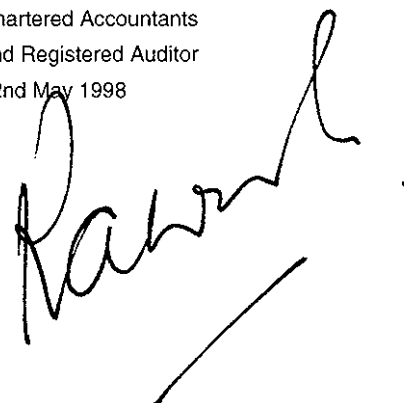
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 at 31st March 1998 and of the profit and cash flows 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 Auditor
22nd May 1998

A handwritten signature in black ink, appearing to read 'Rahm', with a horizontal line drawn underneath it.

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 1998. All activities included in these accounts are continuing.

Any excess of the cost of investments over the net assets acquired is written off directly to reserves as goodwill.

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

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, after deducting any government grants, 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.

The depreciation charge is affected by government grants.

Government grants

Grants received have been directly credited to the relevant asset accounts.

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.

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.

Pensions

The group operates two pension schemes providing benefits based on final pensionable pay. 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 1996 using the attained age method. It assumed that the rate of return on investments was 9% per annum, the rate of increase in wages and salaries was 7.5% per annum, and the rate of growth of equity dividends was 4.5% per annum.

As a result of the last actuarial valuation, the group made additional contributions totalling £400,000 which have been charged against this year's profit.

The next actuarial valuation is due as at 6th April 1999.

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

Deferred taxation

Provision is made using the liability method only in so far as a liability is likely to arise in the foreseeable future.

Group Profit and Loss Account

for the year ended 31st March 1998

	Notes	1998 £000	1997 £000
Turnover from continuing operations	1	66,757	62,274
Cost of sales		47,945	45,197
Gross profit		18,812	17,077
Operating costs	2	8,749	7,554
Operating profit from continuing operations		10,063	9,523
Other income	6	1,352	1,040
Profit on ordinary activities before taxation	3	11,415	10,563
Taxation on ordinary activities	7	3,517	3,514
Profit on ordinary activities after taxation		7,898	7,049
Dividends	8	2,544	2,132
Retained profit for the year	17	5,354	4,917
Earnings per share	9	18.28p	16.47p

Total recognised gains and losses

The group has no recognised gains or losses other than the profit for the current and previous year.

Balance Sheets

31st March 1998

	Notes	Group		Company	
		1998 £000	1997 £000	1998 £000	1997 £000
Fixed assets					
Tangible assets	10	19,409	16,784	6,448	5,812
Investments	11	695	698	5,976	5,979
Current assets					
Stocks	12	4,304	3,638	1,851	1,412
Debtors	13	12,375	10,647	6,785	5,895
Short-term deposits		22,264	18,780	14,158	11,109
Cash at bank and in hand		123	220	2	1
		<u>39,066</u>	<u>33,285</u>	<u>22,796</u>	<u>18,417</u>
Creditors — amounts falling due within one year	14	<u>20,569</u>	<u>18,097</u>	<u>12,935</u>	<u>11,226</u>
Net current assets		<u>18,497</u>	<u>15,188</u>	<u>9,861</u>	<u>7,191</u>
Total assets less current liabilities		<u>38,601</u>	<u>32,670</u>	<u>22,285</u>	<u>18,982</u>
Provisions for liabilities and charges	15	<u>121</u>	<u>123</u>	<u>5</u>	<u>20</u>
		<u>38,480</u>	<u>32,547</u>	<u>22,280</u>	<u>18,962</u>
Capital and reserves					
Called up share capital	16	4,349	4,281	4,349	4,281
Share premium	17	649	138	649	138
Profit and loss account	17	<u>33,482</u>	<u>28,128</u>	<u>17,282</u>	<u>14,543</u>
Shareholders' funds		<u>38,480</u>	<u>32,547</u>	<u>22,280</u>	<u>18,962</u>

The accounts on pages 8 to 16 were approved by the board of directors on 22nd May 1998, and were signed on its behalf by:

Brian J. Cooke
J. C. Roby

} Directors

Brian J. Cooke
J. C. Roby

CASTINGS p.l.c.

Group Cash Flow Statement

for the year ended 31st March 1998

	Notes	1998		1997	
	(a)	£000	£000	£000	£000
Net cash inflow from operating activities			12,678		13,220
Returns on investments and servicing of finance:					
Interest received			1,352		1,040
Taxation			(3,787)		(3,250)
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		(5,551)		(5,001)	
Purchase of subsidiary undertakings		—		(4)	
Sale of tangible fixed assets		183		6	
			(5,368)		(4,999)
Equity dividends paid			(2,250)		(1,934)
Cash inflow before use of liquid resources and financing			2,625		4,077
Management of liquid resources:					
Increase in short-term deposits		(3,484)		(5,096)	
Purchase of equity securities		3		(14)	
			(3,481)		(5,110)
Financing:					
Issue of ordinary share capital			579		27
Decrease in cash	(b)		(277)		(1,006)

Notes to the group cash flow statement

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

	1998	1997
	£000	£000
Operating profit	10,063	9,523
Depreciation and adjustments on disposals	2,743	2,379
(Increase) in stocks	(666)	(20)
(Increase) in debtors	(1,654)	1,168
Increase in creditors	2,192	170
Net cash inflow from operating activities	12,678	13,220

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

Decrease in cash in the period	(277)	(1,006)
Increase in liquid resources	3,481	5,110
Change in net funds from cash flows	3,204	4,104
Net funds at 1st April	19,236	15,132
Net funds at 31st March	22,440	19,236

(c) Analysis of net funds

	1997	Cash flows	1998
	£000	£000	£000
Cash at bank and in hand	220	(97)	123
Bank overdraft	(462)	(180)	(642)
	(242)	(277)	(519)
Short-term deposits	18,780	3,484	22,264
Investments	698	(3)	695
		3,481	
Total	19,236	3,204	22,440

Notes on the Accounts

1 Geographical analysis of turnover

	1998 £000	1997 £000
The geographical analysis of turnover for the year is as follows:		
United Kingdom	46,042	44,257
Sweden	8,071	7,102
Rest of Europe	12,462	10,856
Middle and Far East	91	47
North and South America	91	12
	<u>66,757</u>	<u>62,274</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	1,125	1,082
Administrative	<u>7,624</u>	<u>6,472</u>
	<u>8,749</u>	<u>7,554</u>

3 Trading profits are stated after charging

Depreciation	2,743	2,379
Auditors' remuneration — audit services	33	31
Auditors' remuneration — non-audit services	<u>5</u>	<u>4</u>

4 Information regarding directors

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 London Stock Exchange.

Directors' emoluments

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	Discre- tionary bonus £000	1998 Total £000	1997 Total £000
B. J. Cooke	101	—	8	63	—	172	160
J. N. Roxburgh	98	—	8	63	—	169	159
A. J. Smith	88	—	7	63	—	158	146
T. G. Locker	15	15	7	—	10	47	47
J. C. Roby	84	—	7	63	—	154	143
B. Grice	64	—	4	41	—	109	100
T. Woodhouse	85	—	6	47	—	138	130
C. P. King	—	3	—	—	—	3	—
	<u>535</u>	<u>18</u>	<u>47</u>	<u>340</u>	<u>10</u>	<u>950</u>	<u>885</u>

The bonuses for Messrs Cooke, Roxburgh, Smith and Roby are related to the profitability of the group. The bonuses for Messrs Grice and Woodhouse are part related to the profitability of their subsidiary within the group and part to the profitability of the group. Mr Locker received a discretionary bonus. Pension contributions are not paid on benefits and only paid on a capped element of bonuses which in aggregate totalled £27,000.

Messrs Cooke, Roxburgh, Smith and Roby have contracts of service terminable on two years' notice which was reduced from three years' notice without compensation. Messrs Grice and Woodhouse have service contracts terminable on one year's notice. These contracts are considered appropriate in the context of the overall remuneration policy. 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 £172,000 (1997: £160,000).

Aggregate disclosure

Aggregate emoluments	1998 £000	1997 £000
Pensions to directors and former directors	995	921
Gains made on exercise of share options	<u>6</u>	<u>6</u>
	<u>67</u>	<u>32</u>

Notes on the Accounts

continued

4 Information regarding directors *continued*

Directors' pension entitlements

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

	Accrued pension 31st March 1998	Increase in pension accrued excluding inflation in year ended 31st March 1998	Transfer value of increase at 31st March 1998 net of member contributions
	£	£	£
B. J. Cooke	53,782	2,425	24,953
J. N. Roxburgh	53,191	2,505	26,433
A. J. Smith	37,279	2,193	17,576
J. C. Roby	12,739	1,798	12,550
B. Grice	9,005	1,746	17,739
T. Woodhouse	9,470	1,900	19,021

Directors' interests

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

	Beneficial Holdings	
	1998	1997
B. J. Cooke	1,950,986	1,950,986
J. N. Roxburgh	135,917	133,414
A. J. Smith	127,190	89,972
T. G. Locker	542,000	542,000
J. C. Roby	92,128	85,700
B. Grice	21,450	20,200
T. Woodhouse	17,788	10,000
C. P. King	—*	—
G. B. Wainwright	—*	—

* At date of appointment.

There have been no changes in the shareholdings of directors between 31st March 1998 and 5th June 1998.

Directors' options

The interests of directors at the beginning and end of the financial year were as follows:

	Market value on date of exercise	Options under the Executive Share Option Scheme approved in 1986 at 93.5p/share June 2002	Options under the Savings Related Share Option Scheme approved in 1986 at 84p/share September 1997
Normal date of exercise up to:			
J. N. Roxburgh			
At 31st March 1997		30,000	—
At 31st March 1998		30,000	—
A. J. Smith			
At 31st March 1997		30,000	6,428
At 31st March 1998	215.5/232.5p	—	—
J. C. Roby			
At 31st March 1997		30,000	6,428
At 31st March 1998	232.5p	30,000	—
B. Grice			
At 31st March 1997		30,000	1,250
At 31st March 1998	232.5p	30,000	—
T. Woodhouse			
At 31st March 1997		20,000	6,428
At 31st March 1998	232.5p	20,000	—

No options were granted during the year.

5 Employee cost

Average weekly number of employees during the year was

	1998	1997
Production	1,140	1,109
Management and administration	104	104
	<u>1,244</u>	<u>1,213</u>

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Notes on the Accounts

continued

5 Employee cost *continued*

	1998 £000	1997 £000
Aggregate remuneration paid to all employees	23,238	20,664
Social security costs	2,145	1,938
Pension costs	1,339	761
Other employee costs	277	264
	<u>26,999</u>	<u>23,627</u>

6 Other income

Interest on short-term deposits	1,309	999
Income from listed investments	43	38
Miscellaneous	—	3
	<u>1,352</u>	<u>1,040</u>

7 Taxation

Corporation tax at 31% (1997 – 33%)	3,523	3,839
Deferred taxation	(2)	(318)
Taxation adjustments in respect of previous years	(4)	(7)
	<u>3,517</u>	<u>3,514</u>

8 Dividends on ordinary shares

Interim paid of 1.68p per share (1997 – 1.43p)	730	612
Final proposed of 4.17p per share (1997 – 3.55p)	1,814	1,520
	<u>2,544</u>	<u>2,132</u>

9 Earnings per share

	Shares	Shares
Earnings per share is calculated on the weighted average number of shares in issue at the end of the year	43,194,881	42,791,828
Profit on ordinary activities after taxation	<u>£7,898,000</u>	<u>£7,049,000</u>
Earnings per share	<u>18.28p</u>	<u>16.47p</u>

The fully diluted earnings per share is not materially different.

10 Fixed assets — Tangible

	Land and buildings £000	Plant and other equipment £000	Total £000
a) Group			
Cost			
At 31st March 1997	5,273	24,523	29,796
Additions during year	838	4,713	5,551
Disposals	—	(471)	(471)
At 31st March 1998	<u>6,111</u>	<u>28,765</u>	<u>34,876</u>
Depreciation and amounts written off			
At 31st March 1997	870	12,142	13,012
Charge for year	102	2,641	2,743
Disposals and adjustments	—	(288)	(288)
At 31st March 1998	<u>972</u>	<u>14,495</u>	<u>15,467</u>
Net book values			
At 31st March 1998	<u>5,139</u>	<u>14,270</u>	<u>19,409</u>
At 31st March 1997	<u>4,403</u>	<u>12,381</u>	<u>16,784</u>

10 Fixed assets — Tangible *continued*

	Land and buildings £000	Plant and other equipment £000	Total £000
b) Company			
Cost			
At 31st March 1997	2,410	10,663	13,073
Additions during year	795	721	1,516
Disposals	—	(195)	(195)
At 31st March 1998	3,205	11,189	14,394
Depreciation and amounts written off			
At 31st March 1997	552	6,709	7,261
Charge for year	55	739	794
Disposals and adjustments	—	(109)	(109)
At 31st March 1998	607	7,339	7,946
Net book values			
At 31st March 1998	2,598	3,850	6,448
At 31st March 1997	1,858	3,954	5,812

The net book value of group land and buildings includes £1,016,000 (1997 – £1,016,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (1997 – £359,000).

11 Investments

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Subsidiary companies				
At cost		5,281		5,281
Other investments other than loans				
At cost	695	695	698	698
	695	5,976	698	5,979

The company owns 100% of the issued share capital of W.H. Booth & Co. Limited, William Lee Limited and CNC Speedwell Limited, companies which operate mainly in the United Kingdom.

The market value of other investments at 31st March 1998 was £1,178,000 (1997 – £862,000).

12 Stocks

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Raw materials	888	391	811	358
Work in progress	1,246	788	1,025	574
Finished goods	2,170	672	1,802	480
	4,304	1,851	3,638	1,412

13 Debtors

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Due within one year:				
Trade debtors	11,709	5,718	10,184	4,866
Amount owed by subsidiary companies	—	607	—	646
Other debtors	8	4	1	1
Prepayments	204	2	82	2
Due after more than one year:				
Advance corporation tax on proposed dividends	454	454	380	380
	12,375	6,785	10,647	5,895

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Notes on the Accounts

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14 Creditors

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Due within one year				
Bank overdraft	642	527	462	448
Trade creditors	5,387	2,391	4,615	1,987
Amounts owed to subsidiary companies	—	317	—	—
Corporation tax	3,010	1,443	3,307	1,680
Advance corporation tax	636	636	533	533
Other taxation and social security	1,713	813	1,089	563
Other creditors	964	633	778	616
Accruals	6,403	4,361	5,793	3,879
Proposed dividend	1,814	1,814	1,520	1,520
	<u>20,569</u>	<u>12,935</u>	<u>18,097</u>	<u>11,226</u>

15 Provisions for liabilities and charges

Deferred taxation				
At 31st March 1997	123	20	441	338
Taxation deferred this year	(2)	(15)	(318)	(318)
At 31st March 1998	<u>121</u>	<u>5</u>	<u>123</u>	<u>20</u>

Provisions represent timing differences arising from accelerated capital allowances and other timing differences.

The total potential amount of deferred taxation is analysed as follows:

Fixed assets and other timing differences	751	5	911	20
Advance corporation tax	(454)	(454)	(380)	(380)
	<u>297</u>	<u>(449)</u>	<u>531</u>	<u>(360)</u>

16 Called up share capital

Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,492,568 10p ordinary shares	<u>4,349</u>	<u>4,281</u>

During the year, 683,290 ordinary shares were issued under the terms of the Share Option Schemes.

17 Reserves

	Share premium £000	Profit and loss £000	Group profit and loss £000
At 31st March 1997	138	14,543	28,128
Premium on shares issued in year	511	—	—
Retained profit for the year	—	2,739	5,354
At 31st March 1998	<u>649</u>	<u>17,282</u>	<u>33,482</u>

18 Reconciliation of movements in shareholders' funds

	1998		1997	
	Group £000	Company £000	Group £000	Company £000
Profit for the year	7,898	5,283	7,049	4,943
Dividends	(2,544)	(2,544)	(2,132)	(2,132)
	<u>5,354</u>	<u>2,739</u>	<u>4,917</u>	<u>2,811</u>
New share capital subscribed	579	579	27	27
Goodwill	—	—	(4)	—
	<u>5,933</u>	<u>3,318</u>	<u>4,940</u>	<u>2,838</u>
Net addition to shareholders' funds	32,547	18,962	27,607	16,124
Opening shareholders' funds	38,480	22,280	32,547	18,962
Closing shareholders' funds	<u>71,027</u>	<u>41,242</u>	<u>60,154</u>	<u>35,086</u>

19 Capital commitments

	1998 £000	1997 £000
Contracted for, but not provided in the accounts	<u>1,432</u>	<u>4,297</u>

Notice of Meeting

Notice is hereby given that the ninety-first Annual General Meeting of Castings P.L.C. will be held at Forte Posthouse Hotel, Chapel Lane, Great Barr, Birmingham, West Midlands, B43 7BG, on Tuesday, 11th August 1998 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 1998.
- 2 To declare a final dividend.
- 3 To re-elect Mr. B. Grice as a director.
- 4 To re-elect Mr. T. Woodhouse as a director.
- 5 To re-elect Mr. C. P. King as a director.
- 6 To re-elect Mr. G. B. Wainwright as a director.
- 7 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

8 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 £650,743, which represents approximately 15% of the current issued share capital of the company;

(b) the foregoing authority shall expire on 10th August 2003 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 9th August 1994, which authorities are accordingly hereby revoked.

As a special resolution

9 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 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

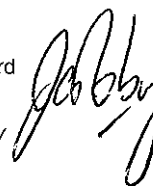
aggregate nominal amount, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal amount not exceeding £217,463, which represents approximately 5% of the current issued share capital of the company,

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

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

The record date for payment of the final dividend was 3rd July 1998. Assuming the final dividend is approved by the members, the dividend will be paid on 14th August 1998.

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



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

3rd July 1998

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.