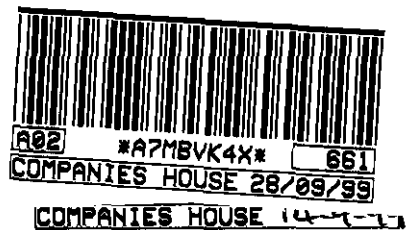


Registration No. 91580

CASTINGS PLC

ANNUAL REPORT 1999



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

Registered No.

91580

Five Year Review

For the years ended 31st March	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover	62,477	66,757	62,274	58,343	50,160
Profit for the year before taxation	11,863	11,415	10,563	9,433	7,529
Profit after taxation	8,127	7,898	7,049	6,399	5,254
Dividends	2,970	2,544	2,132	1,842	1,436
Capital employed					
Share capital	4,357	4,349	4,281	4,277	4,258
Share premium account	710	649	138	115	16
Reserves	40,289	35,132	28,128	23,215	18,658
Deferred taxation	148	121	123	441	489
Total capital employed	<u>45,504</u>	<u>40,251</u>	<u>32,670</u>	<u>28,048</u>	<u>23,421</u>
Represented by					
- Fixed assets	38,216	34,876	29,796	24,901	21,891
Less aggregate depreciation	<u>18,782</u>	<u>15,467</u>	<u>13,012</u>	<u>10,733</u>	<u>9,000</u>
Fixed assets at net book value	19,434	19,409	16,784	14,168	12,891
Investments	695	695	698	684	592
Net current assets	<u>25,375</u>	<u>20,147</u>	<u>15,188</u>	<u>13,196</u>	<u>9,938</u>
Total net assets	<u>45,504</u>	<u>40,251</u>	<u>32,670</u>	<u>28,048</u>	<u>23,421</u>
Dividends and earnings					
Pence per share paid	6.82	5.850	4.980	4.310	3.375
Number of times covered	2.7	3.1	3.3	3.5	3.7
Earnings per share — pence	18.68	18.28	16.47	15.01	12.36

Chairman's Statement

Group results and dividend
I am pleased to report that despite a reduction in turnover from £66.7m to £62.5m, profits before tax have increased from £11.41m to £11.86m.

An interim dividend of 2.02 pence per share was paid in January 1999. Your Board recommends a final dividend of 4.80 pence per share compared with 4.17 pence per share last year. Dividends have increased consistently since 1984.

At the half year stage, profits and turnover increased substantially compared with the previous year, and at that time we did not feel these increases were sustainable for the second half. The second half was difficult due to reductions in demand from many of our domestic customers.

It is pleasing to report that exports during the year increased from £20.7m to £22.4m despite the strength of the pound sterling. It is anticipated that exports will continue to increase as a percentage of our total sales.

Although orders and schedules have improved in recent weeks, we are not anticipating a return to the previous record levels, with trading remaining difficult in the foreseeable future.

All planned major investments are now complete with the successful introduction of the Georg Fischer impact moulding plant at Brownhills last August. We are always looking for possible expansion through acquisition, but there are limited opportunities either in our industry or associated industries and in many cases price expectation is far too high.

Change in group structure

The company has decided to consolidate production on three sites and therefore we are closing the manufacturing unit of W. H. Booth & Co. Ltd, in Rotherham, as from 3rd December 1999. The decision has been made in order to contain costs

and reduce overheads in this ever changing and competitive world.

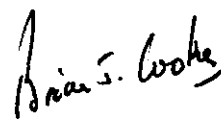
All foundry production will move to Castings P.L.C. Brownhills, where we have an existing W. H. Booth manufacturing unit. All machine shop activities will move to CNC Speedwell at Lichfield.

We regard this as a progressive and forward looking plan for our customers as this will give them options of various manufacturing methods for cost effectiveness.

W. H. Booth will remain a selling and technical organisation with offices based at William Lee, Dronfield.

In conclusion, I wish to thank all employees for their commitment during the last year and their acceptance of an ever changing marketplace. The company is in good financial health and will continue to grow as and when the current trading situation changes.

B. J. COOKE
Chairman
21st May 1999



Directors' Report

*The directors submit their
Report and the Audited
Accounts for the year
ended 31st March 1999.*

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 2.02 pence per share was paid on 15th January 1999. The directors now recommend a final dividend of 4.80 pence per share payable on 20th August 1999, making a total distribution of 6.82 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 46.

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 1999 were as follows:

Date of grant	Normal date of exercise	Option price	Number of shares	
			1999	1998
June 1992	June 1995 — June 2002	93.5p	196,000	269,500

During the year, 73,500 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.

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

J. C. Roby
J. N. Roxburgh } — by rotation;

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

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 over twenty years together with continuous international experience. He was appointed chairman of the remuneration committee with effect from 14th May 1998.

The company benefits 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 1999:

	Number	%
Britannic Assurance plc	4,832,900	11.1
3i Group plc	3,999,996	9.2
The Equitable Life Assurance Society	3,136,085	7.2
Prudential Corporation plc	1,837,500	4.2
Hamstall Investments Inc.	1,800,000	4.1
National Westminster Bank plc	1,700,000	3.9

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 £339.

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 41.

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 are being upgraded to compliant form by new releases. 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 have been investigated to ensure their workings are millennium compliant. In addition, the millennium compliance of key customers and suppliers has been 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

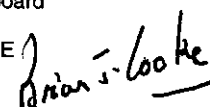
So far as is known, the company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

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



21st May 1999

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 Combined Code, appended to the Listing Rules of the London Stock Exchange Limited, has introduced a new requirement, that the directors review the effectiveness of all internal controls, not only internal financial controls as previously. Official guidance on the review of non-financial internal control has not been published and the directors have not undertaken a formal review of the effectiveness of the system of the non-financial internal controls before the year end. However, the directors have continued to follow existing guidance.

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 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.

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

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 the chairman of the group, and is chaired by G. B. Wainwright.

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.

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 1999 the company complied with the Combined Code 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 6, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, 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 company and the group is not disclosed.

We review whether the statement on page 6 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

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.

Basis of audit opinion

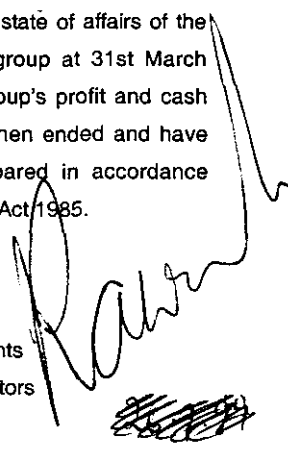
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 1999 and of the group's profit and cash flows 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
21st May 1999



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 1999. All activities included in these accounts are continuing.

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.

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.

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 charged additional contributions totalling £500,000 against this year's profit.

The next actuarial valuation was 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 1999

	Notes	1999 £000	1998 £000
Turnover from continuing operations	1	62,477	66,757
Cost of sales		44,025	47,945
Gross profit		18,452	18,812
Operating costs	2	8,357	8,749
Operating profit from continuing operations		10,095	10,063
Other income	6	1,768	1,352
Profit on ordinary activities before taxation	3	11,863	11,415
Taxation on ordinary activities	7	3,736	3,517
Profit on ordinary activities after taxation		8,127	7,898
Dividends	8	2,970	2,544
Retained profit for the year	17	5,157	5,354
Earnings per share	9	18.68p	18.28p
Diluted earnings per share	9	18.59p	18.17p

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 1999

	Notes	Group		Company	
		1999	1998	1999	1998
		as restated		as restated	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	19,434	19,409	7,371	6,448
Investments	11	695	695	5,976	5,976
Current assets					
Stocks	12	3,818	4,304	1,755	1,851
Debtors	13	9,624	12,375	5,158	6,785
Short-term deposits		28,834	22,264	17,152	14,158
Cash at bank and in hand		52	123	1	2
		<u>42,328</u>	<u>39,066</u>	<u>24,066</u>	<u>22,796</u>
Creditors — amounts falling due within one year	14	<u>16,953</u>	<u>18,919</u>	<u>10,688</u>	<u>11,744</u>
Net current assets		<u>25,375</u>	<u>20,147</u>	<u>13,378</u>	<u>11,052</u>
Total assets less current liabilities		<u>45,504</u>	<u>40,251</u>	<u>26,725</u>	<u>23,476</u>
Provisions for liabilities and charges	15	<u>148</u>	<u>121</u>	<u>5</u>	<u>5</u>
		<u>45,356</u>	<u>40,130</u>	<u>26,720</u>	<u>23,471</u>
Capital and reserves					
Called up share capital	16	4,357	4,349	4,357	4,349
Share premium	17	710	649	710	649
Profit and loss account	17	40,289	35,132	21,653	18,473
Shareholders' funds		<u>45,356</u>	<u>40,130</u>	<u>26,720</u>	<u>23,471</u>

The accounts on pages 8 to 16 were approved by the board of directors on 21st May 1999, and were signed on its behalf by:

Brian J. Cooke
J. C. Roby

Directors

Brian J. Cooke
J. C. Roby

Group Cash Flow Statement

for the year ended 31st March 1999

	Notes	1999		1998	
	(a)	£000	£000	£000	£000
Net cash inflow from operating activities			14,421		12,678
Returns on investments and servicing of finance:					
Interest received			1,768		1,352
Taxation			(3,591)		(3,787)
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		(3,557)		(5,551)	
Sale of tangible fixed assets		7		183	
			(3,550)		(5,368)
Equity dividends paid			(2,693)		(2,250)
Cash inflow before use of liquid resources and financing			6,355		2,625
Management of liquid resources:					
Increase in short-term deposits		(6,570)		(3,484)	
Purchase of equity securities				3	
			(6,570)		(3,481)
Financing:					
Issue of ordinary share capital			69		579
Decrease in cash	(b)		(146)		(277)

Notes to the group cash flow statement

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

	1999	1998
	£000	£000
Operating profit	10,095	10,063
Depreciation and adjustments on disposals	3,526	2,743
Decrease in stocks	486	(666)
Decrease in debtors	2,297	(1,654)
(Decrease) in creditors	(1,983)	2,192
Net cash inflow from operating activities	14,421	12,678

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

	1999	1998
	£000	£000
Decrease in cash in the period	(146)	(277)
Increase in liquid resources	6,570	3,481
Change in net funds from cash flows	6,424	3,204
Net funds at 1st April 1998	22,440	19,236
Net funds at 31st March 1999	28,864	22,440

(c) Analysis of net funds

	1998	Cash flows	1999
	£000	£000	£000
Cash at bank and in hand	123	(71)	52
Bank overdraft	(642)	(75)	(717)
	(519)	(146)	(665)
Short-term deposits	22,264	6,570	28,834
Investments	695		695
		6,570	
Total	22,440	6,424	28,864

Notes on the Accounts

1 Geographical analysis of turnover

	1999 £000	1998 £000
The geographical analysis of turnover for the year is as follows:		
United Kingdom	40,082	46,042
Sweden	8,459	8,071
Rest of Europe	13,828	12,462
Middle and Far East	—	91
North and South America	99	91
Africa and Asia	9	—
	<u>62,477</u>	<u>66,757</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	1,024	1,125
Administrative	<u>7,333</u>	<u>7,624</u>
	<u>8,357</u>	<u>8,749</u>

3 Trading profits are stated after charging

Depreciation	3,526	2,743
Auditors' remuneration — audit services	34	33
Auditors' remuneration — non-audit services	<u>5</u>	<u>5</u>

4 Information regarding directors

Directors' emoluments

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	1999 Total £000	1998 Total £000
B. J. Cooke	104	—	9	67	180	172
J. N. Roxburgh	101	—	11	67	179	169
A. J. Smith	91	—	6	67	164	158
T. G. Locker	—	2	—	—	2	47
J. C. Roby	87	—	8	67	162	154
B. Grice	66	—	4	36	106	109
T. Woodhouse	88	—	5	51	144	138
C. P. King	—	12	—	—	12	3
G. B. Wainwright	—	11	—	—	11	—
	<u>537</u>	<u>25</u>	<u>43</u>	<u>355</u>	<u>960</u>	<u>950</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. Pension contributions are not paid on benefits and only paid on a capped element of bonuses which in aggregate totalled £30,000.

Messrs Cooke, Roxburgh, Smith and Roby have contracts of service terminable on two years' notice. 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 £180,000 (1998: £172,000).

Aggregate disclosure

	1999 £000	1998 £000
Aggregate emoluments	960	950
Pensions to directors and former directors	6	6
Gains made on exercise of share options	<u>43</u>	<u>67</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 1999 £	Increase in pension accrued excluding inflation in year ended 31st March 1999 £	Transfer value of increase at 31st March 1999 net of member contributions £
B. J. Cooke	58,137	2,634	28,124
J. N. Roxburgh	57,550	2,657	29,572
A. J. Smith	40,781	2,309	17,919
J. C. Roby	15,108	1,961	13,377
B. Grice	11,076	1,783	17,574
T. Woodhouse	11,633	1,860	18,859

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	
	1999	1998
B. J. Cooke	1,950,986	1,950,986
J. N. Roxburgh	135,917	135,917
A. J. Smith	127,400	127,400
J. C. Roby	121,998	92,128
B. Grice	21,450	21,450
T. Woodhouse	37,788	17,788
C. P. King	—	—
G. B. Wainwright	—	—

There have been no changes in the shareholdings of directors between 31st March 1999 and 4th June 1999.

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
Normal date of exercise up to:		
J. N. Roxburgh		
At 31st March 1998		30,000
At 31st March 1999		30,000
J. C. Roby		
At 31st March 1998		30,000
At 31st March 1999	174.5p	—
B. Grice		
At 31st March 1998		30,000
At 31st March 1999		30,000
T. Woodhouse		
At 31st March 1998		20,000
At 31st March 1999	189.5p	—

No options were granted during the year.

5 Employee cost

Average weekly number of employees during the year was

	1999	1998
Production	1,090	1,140
Management and administration	103	104
	<u>1,193</u>	<u>1,244</u>

Notes on the Accounts

continued

5 Employee cost continued

	1999 £000	1998 £000
Aggregate remuneration paid to all employees	21,359	23,238
Social security costs	1,997	2,145
Pension costs	1,335	1,339
Other employee costs	243	277
	<u>24,934</u>	<u>26,999</u>

6 Other income

Interest on short-term deposits	1,722	1,309
Income from listed investments	46	43
	<u>1,768</u>	<u>1,352</u>

7 Taxation

Corporation tax at 31% (1998 – 31%)	3,714	3,523
Deferred taxation	27	(2)
Taxation adjustments in respect of previous years	(5)	(4)
	<u>3,736</u>	<u>3,517</u>

8 Dividends on ordinary shares

Interim paid of 2.02p per share (1998 – 1.68p)	879	730
Final proposed of 4.80p per share (1998 – 4.17p)	2,091	1,814
	<u>2,970</u>	<u>2,544</u>

9 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £8,127,000 (1998 – £7,898,000) and on the weighted average number of shares in issue at the end of the year of 43,508,693 (1998 – 43,194,881).

The calculation of diluted earnings per share is based on the above profits on ordinary activities after taxation and 43,704,693 shares being the weighted average number of shares in issue during the year after adjustment for the effect of dilutive share options (1998 – 43,464,381).

10 Fixed assets — Tangible

	Land and buildings £000	Plant and other equipment £000	Total £000
a) Group			
Cost			
At 31st March 1998	6,111	28,765	34,876
Additions during year	42	3,515	3,557
Disposals	—	(217)	(217)
At 31st March 1999	<u>6,153</u>	<u>32,063</u>	<u>38,216</u>
Depreciation and amounts written off			
At 31st March 1998	972	14,495	15,467
Charge for year	103	3,423	3,526
Disposals and adjustments	—	(211)	(211)
At 31st March 1999	<u>1,075</u>	<u>17,707</u>	<u>18,782</u>
Net book values			
At 31st March 1999	<u>5,078</u>	<u>14,356</u>	<u>19,434</u>
At 31st March 1998	<u>5,139</u>	<u>14,270</u>	<u>19,409</u>

10 Fixed assets — Tangible *continued*

	Land and buildings £000	Plant and other equipment £000	Total £000
b) Company			
Cost			
At 31st March 1998	3,205	11,189	14,394
Additions during year	28	1,949	1,977
Disposals	—	(134)	(134)
At 31st March 1999	3,233	13,004	16,237
Depreciation and amounts written off			
At 31st March 1998	607	7,339	7,946
Charge for year	55	992	1,047
Disposals and adjustments	—	(127)	(127)
At 31st March 1999	662	8,204	8,866
Net book values			
At 31st March 1999	2,571	4,800	7,371
At 31st March 1998	2,598	3,850	6,448

The net book value of group land and buildings includes £1,016,000 (1998 – £1,016,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (1998 – £359,000).

11 Investments

	1999		1998	
	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	695	695
	695	5,976	695	5,976

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 1999 was £1,169,000 (1998 – £1,178,000).

12 Stocks

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Raw materials	776	322	888	391
Work in progress	1,359	880	1,246	788
Finished goods	1,683	553	2,170	672
	3,818	1,755	4,304	1,851

13 Debtors

	1999		1998	
	Group £000	Company £000	Group £000	Company £000
Due within one year:				
Trade debtors	9,353	4,618	11,709	5,718
Amount owed by subsidiary companies	—	367	—	607
Other debtors	5	2	8	4
Prepayments	266	171	204	2
Due after more than one year:				
Advance corporation tax on proposed dividends	—	—	454	454
	9,624	5,158	12,375	6,785

Notes on the Accounts

continued

14 Creditors

	Group	1999 Company	Group as restated	1998 Company
	£000	£000	£000	£000
Due within one year				
Bank overdraft	717	182	642	527
Trade creditors	4,288	2,055	5,387	2,391
Amounts owed to subsidiary companies	—	44	—	317
Corporation tax	3,093	1,519	3,010	1,443
Advance corporation tax	216	216	636	636
Other taxation and social security	1,098	668	1,713	813
Other creditors	578	450	814	483
Accruals	4,872	3,463	4,903	3,320
Proposed dividend	2,091	2,091	1,814	1,814
	<u>16,953</u>	<u>10,688</u>	<u>18,919</u>	<u>11,744</u>

15 Provisions for liabilities and charges

Deferred taxation				
At 31st March 1998	121	5	123	20
Taxation deferred this year	27	—	(2)	(15)
At 31st March 1999	<u>148</u>	<u>5</u>	<u>121</u>	<u>5</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	764	5	751	5
Advance corporation tax	—	—	(454)	(454)
	<u>764</u>	<u>5</u>	<u>297</u>	<u>(449)</u>

16 Called up share capital

Authorised 50,000,000 10p ordinary shares		5,000		5,000
Allotted and fully paid 43,566,068 10p ordinary shares		<u>4,357</u>		<u>4,349</u>

During the year, 73,500 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 1998 as previously stated	649	17,282	33,482
Prior year adjustment (note 19)	—	1,191	1,650
At beginning of year as restated	649	18,473	35,132
Premium on shares issued in year	61	—	—
Retained profit for the year	—	3,180	5,157
At 31st March 1999	<u>710</u>	<u>21,653</u>	<u>40,289</u>

18 Reconciliation of movements in shareholders' funds

	Group	1999 Company	Group as restated	1998 Company
	£000	£000	£000	£000
Profit for the year	8,127	6,150	7,898	5,283
Dividends	(2,970)	(2,970)	(2,544)	(2,544)
	<u>5,157</u>	<u>3,180</u>	<u>5,354</u>	<u>2,739</u>
New share capital subscribed	69	69	579	579
	<u>5,226</u>	<u>3,249</u>	<u>5,933</u>	<u>3,318</u>
Net addition to shareholders' funds	5,226	3,249	5,933	3,318
Opening shareholders' funds	40,130	23,471	32,547	18,962
Prior year adjustment (note 19)	—	—	1,650	1,191
Closing shareholders' funds	<u>45,356</u>	<u>26,720</u>	<u>40,130</u>	<u>23,471</u>

19 Prior year adjustment

Financial Reporting Standard 12, issued by the Accounting Standards Board relating to provisions and contingent liabilities, became applicable to our financial statements for the first time this year. This has necessitated a change of accounting policy as certain provisions totalling £1,650,000 previously recognised no longer qualify as provisions under FRS12. As a change of accounting policy is accounted for as a prior year adjustment, previous year figures have been restated as appropriate. The current and previous year's profit has not been affected by this change as the provisions arose prior to these years.

20 Capital commitments

	1999 £000	1998 £000
Contracted for, but not provided in the accounts	<u>521</u>	<u>1,432</u>