

No. 91580

CASTINGS P.L.C.



Annual Report 2000

Directors and Officers

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

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Fax: (01543) 377483

Web: www.castings.plc.uk

Registrars

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

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	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
Turnover	55,939	62,477	66,757	62,274	58,343
Profit for the year before taxation	10,220	11,863	11,415	10,563	9,433
Profit after taxation	7,220	8,127	7,898	7,049	6,399
Dividends	3,123	2,970	2,544	2,132	1,842
Capital employed					
Share capital	4,361	4,357	4,349	4,281	4,277
Share premium account	748	710	649	138	115
Reserves	44,386	40,289	35,132	28,128	23,215
Deferred taxation	148	148	121	123	441
Total capital employed	<u>49,643</u>	<u>45,504</u>	<u>40,251</u>	<u>32,670</u>	<u>28,048</u>
Represented by					
Fixed assets	38,959	38,216	34,876	29,796	24,901
Less aggregate depreciation	<u>21,010</u>	<u>18,782</u>	<u>15,467</u>	<u>13,012</u>	<u>10,733</u>
Fixed assets at net book value	17,949	19,434	19,409	16,784	14,168
Investments	694	695	695	698	684
Net current assets	<u>31,000</u>	<u>25,375</u>	<u>20,147</u>	<u>15,188</u>	<u>13,196</u>
Total net assets	<u>49,643</u>	<u>45,504</u>	<u>40,251</u>	<u>32,670</u>	<u>28,048</u>
Dividends and earnings					
Pence per share paid	7.16	6.82	5.850	4.980	4.310
Number of times covered	2.3	2.7	3.1	3.3	3.5
Earnings per share — pence	16.56	18.68	18.28	16.47	15.01

Chairman's Statement

Group results and dividend
I wish to report a reduction in turnover from £62.5m to £55.9m and a profit reduction from £11.86m to £10.22m.

An interim dividend of 2.12 pence per share was paid in January 2000. Your board recommends a final dividend of 5.04 pence per share compared with 4.80 pence per share last year.

It was reported at the half year stage that turnover and profits were reduced from the previous year and it was stated profits for the full year would be at a reduced level.

The results are considered satisfactory taking into account many adverse factors affecting the manufacturing industry, including the strong pound particularly against the euro, price pressures from major customers and problems at Rover and Transtec.

William Lee, a supplier to Land Rover and Rover Cars, had schedules considerably reduced last December, January and February. However, we have now seen a recovery and we hope normality will return. The railway business at William Lee has also improved and we hope investment in track will return to previous levels.

CNC Speedwell has continued to grow as a business and a third phase was opened during the year, and we are confident this company will continue to grow and supply our customers with finished machined castings.

Castings Brownhills has benefited from the closure of W. H. Booth and production is now running at high levels with increasing sales from truck manufacturers, in particular the export market.

In general, we have seen increases in customers' schedules and it is pleasing that our sales efforts over recent years have now resulted in volume increases, and we are hopeful that this trend will

continue in the foreseeable future, particularly as the pound weakens. We do have to accept global competition which could result in lower profit margins.

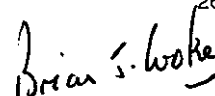
The board has approved capital expenditure of approximately £3.5m during 2000/2001 and a similar amount the following year in order to improve productivity and machining facilities.

In conclusion, on behalf of the board, I thank all our employees for their contribution during a difficult year for the company. In particular, I would like to thank John Roxburgh and Brian Grice for their services in management and as main board directors over many years. John Roxburgh retires from the company and we wish him many happy years in retirement. Brian Grice continues as a local director.

B. J. COOKE

Chairman

26th May 2000



Directors' Report

The directors submit their Report and the Audited Accounts for the year ended 31st March 2000.

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.

In order to contain costs and reduce overheads, the manufacturing unit at W. H. Booth, Rotherham, was closed on 2nd December 1999. All foundry production was moved to Brownhills and machine shop activities moved to CNC Speedwell.

Profit and appropriations

An interim dividend of 2.12 pence per share was paid on 14th January 2000. The directors now recommend a final dividend of 5.04 pence per share payable on 18th August 2000, making a total distribution of 7.16 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 2000 were as follows:

Date of grant	Normal date of exercise	Option price	Number of shares	
			2000	1999
June 1992	June 1995 — June 2002	93.5p	150,000	196,000

During the year, 46,000 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.

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

A. J. Smith
T. Woodhouse } — by rotation;

The unexpired periods of the contracts of service for A. J. Smith and T. Woodhouse are two years and one year respectively.

J. N. Roxburgh retired from the company and the board with effect from 31st May 2000, after 32 years service. At the same date, B. Grice resigned as a director, after the closure of W. H. Booth & Co Ltd., but remains with the company in a technical/sales capacity.

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 has been chief executive of a wide range of manufacturing companies for over twenty years together with continuous international experience. He is chairman of the remuneration committee, chairman of Sealine International Limited and has various other directorships.

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 2000:

	Number	%
Britannic Assurance plc	4,845,000	11.1
3i Group plc	3,999,996	9.2
Hunter Hall Value Growth Trust	2,386,085	5.5
Prudential Corporation plc	1,837,500	4.2
Hamstall Investments Inc.	1,800,000	4.1
National Westminster Bank plc	1,750,000	4.0

In addition, 3i Group plc controls the exercise of the voting rights attaching to 1,074,460 ordinary shares beneficially owned by 3i Smaller Quoted Companies Trust plc.

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 17th August 1999 and under Section 80 of the Companies Act must be renewed at least every 5 years. Authority will

also be sought from shareholders to allow the Directors to issue new shares for cash to persons other than to existing members up to a maximum nominal amount of £218,060, 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 14th August 2005. The proposed Resolutions are set out as Item 6 and 7 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 1999, the board was given authority to purchase and cancel up to 6,530,554 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 6,537,449 of its own shares, representing 14.99% of its issued share capital at 31st March 2000. 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.

Charitable and political contributions

Donations to charitable organisations amounted to £188.

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 49.

Year 2000

The group was well aware of the need to ensure that its systems and procedures were not disrupted by the advent of the year 2000, and had a team addressing the issues arising. As a result, there were no problems or disruptions relating to this event.

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.

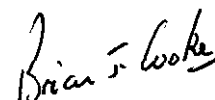
Capital gains tax

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

26th May 2000



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. The Group has adopted the transitional approach to disclosure set out in the letter from the London Stock Exchange to all UK listed companies dated 27th September 1999. The board confirms that it is establishing procedures necessary to implement the guidance issued in respect of Internal Control: Guidance for Directors on the Combined Code ("the Guidance"), and anticipates completion by 31st December 2000. Risk management and internal control are considered on a regular basis during the year and are subject to continual review and development.

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 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 has recognised that risks relevant to the specific activities of the group require to be identified, managed and controlled. Compliance with legal and regulatory issues is monitored locally where effective internal procedures are being introduced. We are committed to complying with relevant legislation and to this end we are working towards obtaining the environment standard ISO 14001, together with an environmental strategy to reduce the financial impact of the Climate Change Levy. Regular reports are submitted to the board on environmental issues.

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 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 is chaired by G. B. Wainwright. The chairman of the group is invited to attend meetings where appropriate.

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.

Nomination committee

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

Relations with shareholders

The company hold 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 2000 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 above, 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 above 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 2000 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
26th May 2000

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 2000. 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 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 is 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.

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 2000

		2000	1999
	Notes	£000	£000
Turnover from continuing operations	1	55,939	62,477
Cost of sales		38,724	44,025
Gross profit		17,215	18,452
Operating costs	2	8,032	8,357
Operating profit from continuing operations		9,183	10,095
Exceptional operating expenses	6	(536)	—
Other income	7	1,573	1,768
Profit on ordinary activities before taxation	3	10,220	11,863
Taxation on ordinary activities	8	3,000	3,736
Profit on ordinary activities after taxation		7,220	8,127
Dividends	9	3,123	2,970
Retained profit for the year	18	4,097	5,157
Earnings per share	10	16.56p	18.68p
Diluted earnings per share	10	16.50p	18.59p

Total recognised gains and losses

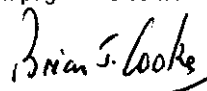
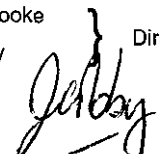
The group has no recognised gains or losses other than the profit for the current and previous year.

Balance Sheets

31st March 2000

	Notes	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
Fixed assets					
Tangible assets	11	17,949	19,434	7,588	7,371
Investments	12	694	695	5,975	5,976
Current assets					
Stocks	13	3,409	3,818	1,728	1,755
Debtors	14	12,018	9,624	8,605	5,158
Short-term deposits		30,210	28,834	22,516	17,152
Cash at bank and in hand		245	52	200	1
		<u>45,882</u>	<u>42,328</u>	<u>33,049</u>	<u>24,066</u>
Creditors — amounts falling due within one year	15	<u>14,882</u>	<u>16,953</u>	<u>10,597</u>	<u>10,688</u>
Net current assets		<u>31,000</u>	<u>25,375</u>	<u>22,452</u>	<u>13,378</u>
Total assets less current liabilities		<u>49,643</u>	<u>45,504</u>	<u>36,015</u>	<u>26,725</u>
Provisions for liabilities and charges	16	<u>148</u>	<u>148</u>	<u>5</u>	<u>5</u>
		<u>49,495</u>	<u>45,356</u>	<u>36,010</u>	<u>26,720</u>
Capital and reserves					
Called up share capital	17	4,361	4,357	4,361	4,357
Share premium	18	748	710	748	710
Profit and loss account	18	44,386	40,289	30,901	21,653
Shareholders' funds		<u>49,495</u>	<u>45,356</u>	<u>36,010</u>	<u>26,720</u>

The accounts on pages 8 to 16 were approved by the board of directors on 26th May 2000, and were signed on its behalf by:


 Brian J. Cooke
 J. C. Roby } Directors


Group Cash Flow Statement

for the year ended 31st March 2000

	Notes	2000		1999	
	(a)	£000	£000	£000	£000
Net cash inflow from operating activities			9,708		14,421
Returns on investments and servicing of finance:					
Interest received			1,573		1,768
Taxation			(3,976)		(3,591)
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		(2,302)		(3,557)	
Sale of tangible fixed assets		159		7	
			(2,143)		(3,550)
Equity dividends paid			(3,016)		(2,693)
Cash inflow before use of liquid resources and financing			2,146		6,355
Management of liquid resources:					
Increase in short-term deposits			(1,376)		(6,570)
Financing:					
Issue of ordinary share capital			42		69
Increase in cash	(b)		812		(146)

Notes to the group cash flow statement

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

	2000	1999
	£000	£000
Operating profit less exceptional operating expenses	8,647	10,095
Depreciation and adjustments on disposals	3,628	3,526
Decrease in stocks	409	486
Increase in debtors	(2,394)	2,297
(Decrease) in creditors	(582)	(1,983)
Net cash inflow from operating activities	9,708	14,421

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

	2000	1999
	£000	£000
Increase in cash in the period	812	(146)
Increase in liquid resources	1,375	6,570
Change in net funds from cash flows	2,187	6,424
Net funds at 1st April 1999	28,864	22,440
Net funds at 31st March 2000	31,051	28,864

(c) Analysis of net funds

	1999	Cash flows	2000
	£000	£000	£000
Cash at bank and in hand	52	193	245
Bank overdraft	(717)	619	(98)
	(665)	812	147
Short-term deposits	28,834	1,376	30,210
Investments	695	(1)	694
		1,375	
Total	28,864	2,187	31,051

Notes on the Accounts

1 Geographical analysis of turnover

	2000 £000	1999 £000
The geographical analysis of turnover for the year is as follows:		
United Kingdom	36,565	40,082
Sweden	6,995	8,459
Rest of Europe	12,322	13,828
North and South America	52	99
Africa and Asia	5	9
	<u>55,939</u>	<u>62,477</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	803	1,024
Administrative	<u>7,229</u>	<u>7,333</u>
	<u>8,032</u>	<u>8,357</u>

3 Trading profits are stated after charging

Depreciation	3,628	3,526
Auditors' remuneration — audit services	32	34
Auditors' remuneration — non-audit services (taxation)	<u>5</u>	<u>5</u>

4 Information regarding directors

Directors' emoluments

	Salaries £000	Fees £000	Benefits £000	Performance related bonus £000	2000 Total £000	1999 Total £000
B. J. Cooke	108	—	7	50	165	180
J. N. Roxburgh	104	—	12	50	166	179
A. J. Smith	94	—	8	50	152	164
J. C. Roby	89	—	7	50	146	162
B. Grice	68	—	5	25	98	106
T. Woodhouse	90	—	6	37	133	144
C. P. King	—	12	—	—	12	12
G. B. Wainwright	—	12	—	—	12	11
	<u>553</u>	<u>24</u>	<u>45</u>	<u>262</u>	<u>884</u>	<u>958</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 £33,000.

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 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 £166,000 (1999: £180,000).

Aggregate disclosure

	2000 £000	1999 £000
Aggregate emoluments	884	960
Pensions to directors and former directors	6	6
Gains made on exercise of share options	<u>28</u>	<u>43</u>

The gains have not necessarily been realised, but represent the difference between the option price and the market value on the day of exercise. Details of the options giving rise to the gains are shown on page 13.

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 2000	Increase in pension accrued excluding inflation in year ended 31st March 2000	Transfer value of increase at 31st March 2000 net of member contributions
	£	£	£
B. J. Cooke	62,369	3,595	44,614
J. N. Roxburgh	61,765	3,585	45,615
A. J. Smith	44,153	2,925	28,968
J. C. Roby	17,278	2,005	16,999
B. Grice	12,608	1,411	15,389
T. Woodhouse	13,512	1,752	19,647

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	
	2000	1999
B. J. Cooke	1,950,986	1,950,986
J. N. Roxburgh	165,917	135,917
A. J. Smith	127,400	127,400
J. C. Roby	121,998	121,998
B. Grice	21,450	21,450
T. Woodhouse	37,788	37,788
C. P. King	—	—
G. B. Wainwright	—	—

There have been no changes in the shareholdings of directors between 31st March 2000 and 9th June 2000.

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 1999		30,000
At 31st March 2000	187.5p	—
B. Grice		
At 31st March 1999		30,000
At 31st March 2000		30,000

No options were granted during the year.

5 Employee cost

Average weekly number of employees during the year was

	2000	1999
Production	954	1,090
Management and administration	96	103
	<u>1,050</u>	<u>1,193</u>

Notes on the Accounts

continued

5 Employee cost <i>continued</i>	2000	1999
	£000	£000
Aggregate remuneration paid to all employees	20,140	21,359
Social security costs	1,809	1,997
Pension costs	836	1,335
Other employee costs	215	243
	<u>23,000</u>	<u>24,934</u>
6 Exceptional operating expenses		
W. H. Booth closure costs (net):		
Fixed assets	628	—
Employment	188	—
Other	(280)	—
	<u>536</u>	<u>—</u>
7 Other income		
Interest on short-term deposits	1,531	1,722
Income from listed investments	42	46
	<u>1,573</u>	<u>1,768</u>
8 Taxation		
Corporation tax at 30% (1999 – 31%)	3,011	3,714
Deferred taxation	—	27
Taxation adjustments in respect of previous years	((11))	(5)
	<u>3,000</u>	<u>3,736</u>
9 Dividends on ordinary shares		
Interim paid of 2.12p per share (1999 – 2.02p)	925	879
Final proposed of 5.04p per share (1999 – 4.80p)	2,198	2,091
	<u>3,123</u>	<u>2,970</u>

10 Earnings per share

Earnings per share is calculated on the profit on ordinary activities after taxation of £7,220,000 (1999 – £8,127,000) and on the weighted average number of shares in issue at the end of the year of 43,596,735 (1999 – 43,508,693).

The calculation of diluted earnings per share is based on the above profits on ordinary activities after taxation and 43,746,735 shares being the weighted average number of shares in issue during the year after adjustment for the effect of dilutive share options (1999 – 43,704,693).

11 Fixed assets — Tangible

	Land and buildings £000	Plant and other equipment £000	Total £000
a) Group			
Cost			
At 31st March 1999	6,153	32,063	38,216
Additions during year	494	1,808	2,302
Disposals	—	(1,559)	(1,559)
At 31st March 2000	<u>6,647</u>	<u>32,312</u>	<u>38,959</u>
Depreciation and amounts written off			
At 31st March 1999	1,075	17,707	18,782
Write down to realisable value	667	—	667
Charge for year	112	2,849	2,961
Disposals and adjustments	—	(1,400)	(1,400)
At 31st March 2000	<u>1,854</u>	<u>19,156</u>	<u>21,010</u>
Net book values			
At 31st March 2000	<u>4,793</u>	<u>13,156</u>	<u>17,949</u>
At 31st March 1999	<u>5,078</u>	<u>14,356</u>	<u>19,434</u>

11 Fixed assets — Tangible continued

	Land and buildings £000	Plant and other equipment £000	Total £000
b) Company			
Cost			
At 31st March 1999	3,233	13,004	16,237
Additions during year	440	660	1,100
Group transfers	—	243	243
Disposals	—	(39)	(39)
At 31st March 2000	3,673	13,868	17,541
Depreciation and amounts written off			
At 31st March 1999	662	8,204	8,866
Charge for year	64	865	929
Group transfers	—	195	195
Disposals and adjustments	—	(37)	(37)
At 31st March 2000	726	9,227	9,953
Net book values			
At 31st March 2000	2,947	4,641	7,588
At 31st March 1999	2,571	4,800	7,371

The net book value of group land and buildings includes £1,016,000 (1999 – £1,016,000) for land which is not depreciated. Land and buildings include £359,000 for property held on long leases (1999 – £359,000).

12 Investments

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Subsidiary companies				
At cost		5,281		5,281
Other investments other than loans				
At cost	694	694	695	695
	694	5,975	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. W. H. Booth & Co Limited ceased trading on 2nd December 1999 in order to contain costs and reduce overheads. All foundry production was moved to Brownhills and machine shop activities moved to CNC Speedwell.

The market value of other investments at 31st March 2000 was £1,179,000 (1999 – £1,169,000).

13 Stocks

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Raw materials	801	318	776	322
Work in progress	1,278	1,005	1,359	880
Finished goods	1,330	405	1,683	553
	3,409	1,728	3,818	1,755

14 Debtors

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Due within one year:				
Trade debtors	11,786	8,202	9,353	4,618
Amount owed by subsidiary companies	—	282	—	367
Other debtors	195	119	5	2
Prepayments	37	2	266	171
	12,018	8,605	9,624	5,158

Notes on the Accounts

continued

15 Creditors

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Due within one year				
Bank overdraft	98	—	717	182
Trade creditors	4,080	2,596	4,288	2,055
Amounts owed to subsidiary companies	—	212	—	44
Corporation tax	2,333	1,502	3,093	1,519
Advance corporation tax	—	—	216	216
Other taxation and social security	1,400	605	1,098	668
Other creditors	234	123	578	450
Accruals	4,539	3,361	4,872	3,463
Proposed dividend	2,198	2,198	2,091	2,091
	<u>14,882</u>	<u>10,597</u>	<u>16,953</u>	<u>10,688</u>

16 Provisions for liabilities and charges

Deferred taxation				
At 31st March 1999	148	5	121	5
Taxation deferred this year	—	—	27	—
At 31st March 2000	<u>148</u>	<u>5</u>	<u>148</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	1,238	320	764	5
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17 Called up share capital

Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,612,068 10p ordinary shares	<u>4,361</u>	<u>4,357</u>

During the year, 46,000 ordinary shares were issued under the terms of the Share Option Schemes.

18 Reserves

	Share premium £000	Profit and loss £000	Group profit and loss £000
At 31st March 1999	710	21,653	40,289
Premium on shares issued in year	38	—	—
Retained profit for the year	—	9,248	4,097
At 31st March 2000	<u>748</u>	<u>30,901</u>	<u>44,386</u>

19 Reconciliation of movements in shareholders' funds

	2000		1999	
	Group £000	Company £000	Group £000	Company £000
Profit for the year	7,220	12,371	8,127	6,150
Dividends	(3,123)	(3,123)	(2,970)	(2,970)
	<u>4,097</u>	<u>9,248</u>	<u>5,157</u>	<u>3,180</u>
New share capital subscribed	42	42	69	69
	<u>4,139</u>	<u>9,290</u>	<u>5,226</u>	<u>3,249</u>
Net addition to shareholders' funds	4,139	9,290	5,226	3,249
Opening shareholders' funds	45,356	26,720	40,130	23,471
Closing shareholders' funds	<u>49,495</u>	<u>36,010</u>	<u>45,356</u>	<u>26,720</u>

20 Capital commitments

	2000 £000	1999 £000
Authorised, but not provided in the accounts	<u>2,946</u>	<u>521</u>

Notice of Meeting

Notice is hereby given that the ninety-third 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, 15th August 2000 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 2000.
- 2 To declare a final dividend.
- 3 To re-elect Mr. A. J. Smith as a director.
- 4 To re-elect Mr. T. Woodhouse 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 £638,793, which represents approximately 14.6% of the current issued share capital of the company;

(b) the foregoing authority shall expire on 14th August 2005 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 17th August 1999, 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 £218,060, 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 6,537,449 representing 14.99% of the issued share capital at 31st March 2000;

(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.

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

The record date for payment of the final dividend is 21st July 2000. Assuming the final dividend is approved by the members, the dividend will be paid on 18th August 2000.

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

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

7th July 2000

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.