

CASTINGS P.L.C.

Annual Report for the year ended 31 March 2023

Stock Code: CGS

An Introduction to **Castings P.L.C.**

Castings P.L.C. is a market leading iron casting and machining group based in the UK supplying both the domestic and export markets.

Our continued strength is largely as a result of our investment in the latest technologies and manufacturing processes. Maintaining an ungeared balance sheet provides investment flexibility, enabling us to fully capitalise on commercial opportunities to generate strong returns for the benefit of shareholders, customers and employees alike.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



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Company Information

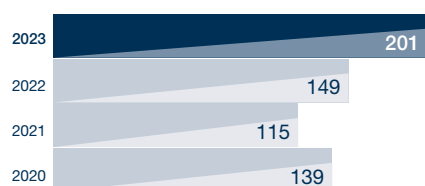
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Financial Highlights

Group revenue (£m)

£201m

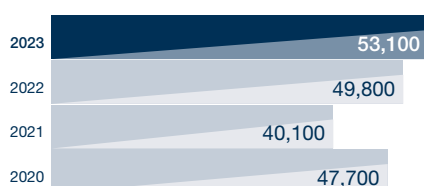
(2022: £149m)



Foundry sales volume (tonnes)

53,100

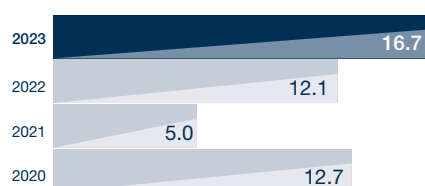
(2022: 49,800)



Profit before tax (£m)

£16.7m

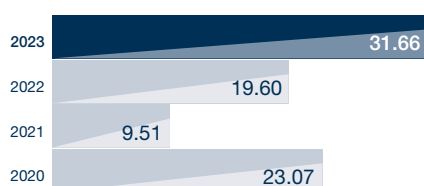
(2022: £12.1m)



EPS (basic)

31.66p

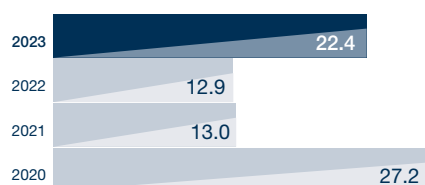
(2022: 19.60p)



Cash generated from operating activities (£m)

£22.4m

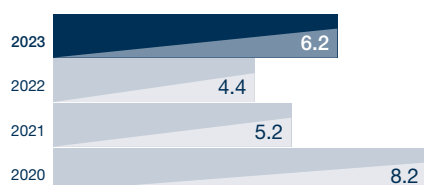
(2022: £12.9m)



Capital expenditure (£m)

£6.2m

(2022: £4.4m)



Dividend per share (excluding supplementary dividend) (pence)

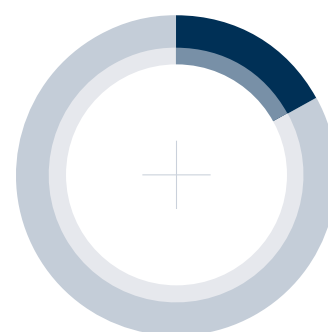
17.35p

(2022: 16.23p)



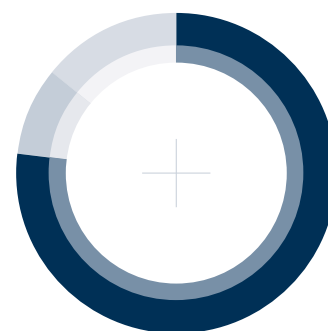
Revenue Profile

Geographical revenue split



- United Kingdom 17%
- Export 83%

Customer sector profile



- Commercial vehicle 77%
- Automotive 9%
- Other 14%

Chairman's Statement

The turnover of the group increased to £201 million (£149 million last year) with a rise in profit before tax to £16.7 million compared to £12.1 million last year.

Overview

Turnover increased by 35% compared with the previous year and operating profit increased by 36%. The despatch weight was at the highest level since 2014.

Demand from our customers has been very strong, with the heavy truck OEMs (approximately 75% of revenue) increasing build rates throughout the year and this has continued into the current financial year. In order to satisfy the increasing schedules, which has been skewed towards certain production lines, it has been necessary to rebalance production in the foundries which resulted in some inefficiencies particularly in the second half of the year, but these are now behind us.

We have experienced very significant price increases in raw materials and energy, which have been largely recovered from our customers through established escalators. The most significant increase related to electricity following the end of our fixed price contract on 30 September 2022. This additional cost of power was surcharged to our customers and although it did not adversely affect group profit, it did impact reported margins.

Further price increases have been negotiated in respect of other cost rises which have taken effect from the start of the current financial year.

Foundry businesses

Despite the impact of the production rebalancing, foundry production increased compared to the prior year. The recruitment issues that have been experienced in the last few years now seem to be largely behind us. With increased demand, the foundry profitability has improved compared to the previous year, although the margin percentage is impacted by the direct pass-through of the cost increases.

We continue to invest both at Castings Brownhills and William Lee to improve productivity, reduce labour costs and improve working conditions.

CNC Speedwell

It is pleasing to report on the return to profitability in the machining business, with a particularly strong final quarter of the financial year. With higher output levels and improved prices, the current performance of CNC Speedwell is beginning to reflect the level of investment that has been made in the business.

Outlook

Our customers continue to increase schedules with the demand for heavy trucks in particular remaining very strong. In addition, demand in other growth sectors such as USA, wind energy, trailer braking and coupling systems and innovative agricultural products continues to grow.

Dividend

The directors are recommending the payment of a final dividend of 13.51 pence per share to be paid on 18 August 2023 to shareholders on the register on 21 July 2023. This, together with the interim dividend, gives a total dividend for the year of 17.35 pence per share.

Supplementary dividend

In addition to the final dividend set out above, the board has reviewed the cash position of the group and considered the balance between increasing returns to shareholders whilst retaining flexibility for capital and other investment opportunities. As a result, the directors are declaring a supplementary dividend of 15 pence per share to be paid on 26 July 2023 to shareholders on the register on 23 June 2023. This dividend, being discretionary and non-recurring, does not compromise our commitment to invest in market leading technologies to maintain our competitive advantage.

Brian Cooke

As previously announced, after nearly sixty three years with the company, of which forty have been as Chairman, Brian Cooke is standing down as a director and will not be seeking re-election at the AGM in August. Brian joined the company from foundry college in 1960 and was appointed a director six years later. Prior to becoming Chairman in 1983, he served as managing director at Brownhills and then as group chief executive.

Brian has led Castings from the front and everything the group does reflects his energy and wise business acumen. We would all like to thank him for his outstanding contribution over the last seven decades. I am very pleased that he has agreed to remain available to consult with the group after the AGM.

I also wish to thank the directors, senior management and all of our employees for their help and commitment during the year.

A. N. Jones
Chairman

14 June 2023

Group Overview and Strategy

Group overview

Castings P.L.C. is a market leading iron casting and machining group based in the UK, supplying both the domestic and export markets.

The original foundry operation dates back to 1835 and today the group comprises of three trading businesses, employing approximately 1,200 people in the UK.

The group operates two iron foundries – Castings P.L.C. (Brownhills, West Midlands) and William Lee Limited (Dronfield, Derbyshire) – together with the CNC Speedwell Limited machining operation which is also based in Brownhills.

The group produces Ductile iron, SG iron, Austempered ductile iron (ADI), SiMo and Ni-resist castings up to 45kg in weight. Our three Disamatic moulding machines and three horizontal green sand moulding machines provide a foundry production capacity of 70,000 tonnes per annum (equates to sales capacity of approximately 63,000 tonnes per annum after machining weight removed).

Our machining operation is invested to support the capacity requirements of the foundry customer base and also to expand general machining in alternative materials.

Strategy

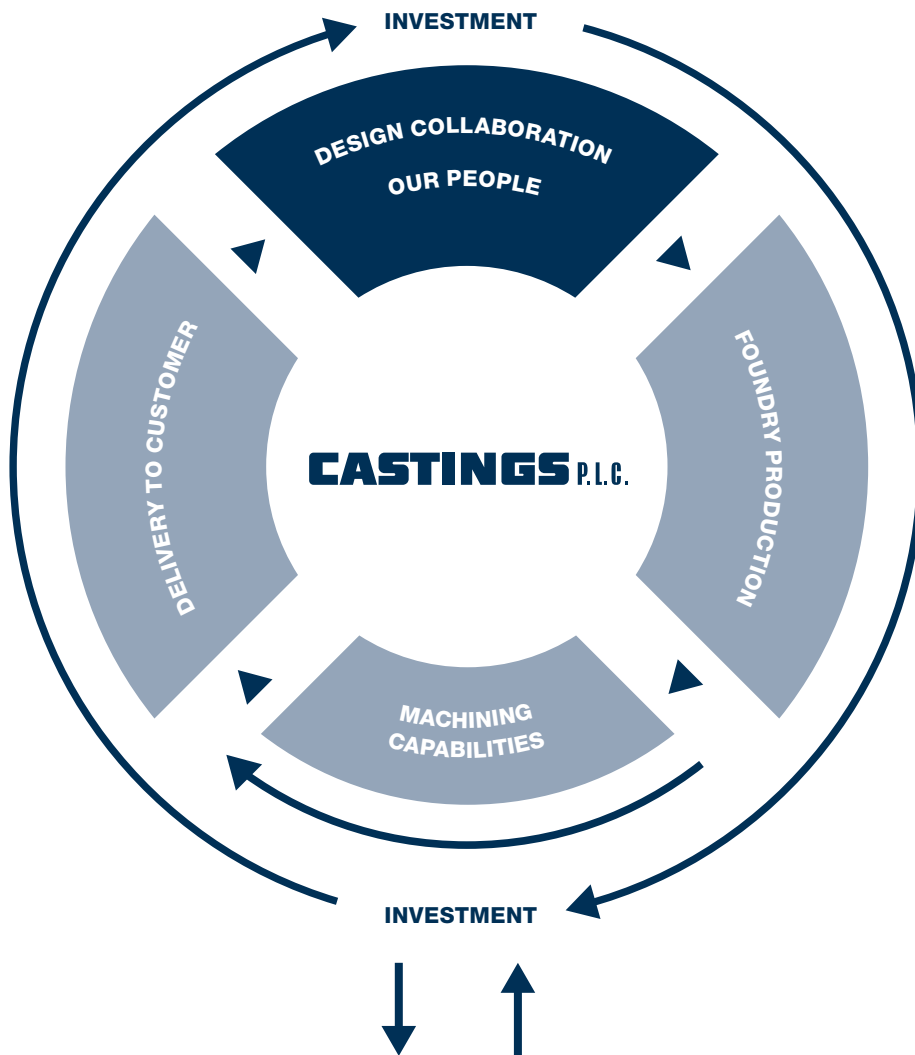
Our continued strength is largely as a result of our investment in the latest technologies and manufacturing processes. Utilising high volume equipment in a medium batch environment, we are perfectly positioned to supply our commercial vehicle focussed customer base in Europe and beyond.

The management team is committed to developing the business for the benefit of shareholders, employees and customers.

Our focus is to deliver long-term sustainable revenues and higher than average margins through the following strategic priorities:

<p>Reinvestment for innovation and efficiency</p>	<p>We invest in the latest technologies to provide our customers with innovative design and production offerings and to ensure we maximise production process efficiencies.</p> <p>We seek to strike a balance in the allocation of strong cash flows between reinvestment and providing attractive returns for shareholders.</p>
<p>Increase OEM market share</p>	<p>By continuing to work collaboratively with customers to develop innovative, cost-effective solutions, we strive to increase our market share within our existing core commercial vehicle customer base.</p> <p>With our investment in warehousing and logistics systems, we are well placed to take advantage of opportunities to bring additional products to our current OEM customers.</p>
<p>Strength of balance sheet</p>	<p>The group balance sheet is managed to ensure long-term financial stability and the ability to make efficient investment decisions to support our strategic objectives.</p>
<p>Investment in our people</p>	<p>With approximately 1,200 employees in the UK, our workforce is a critical element to the continued success of the group. We are committed to developing our people through targeted and balanced training across all levels, whilst maintaining an eye on the future with apprenticeship programmes in all companies in the group.</p>

Business Model



VALUE FOR STAKEHOLDERS

<p>Customers</p> <p>Flexible, agile and cost-effective supply of high-quality and diverse product range.</p> <p>Long-term security of supply.</p>	<p>Employees</p> <p>Training and investment allowing our employees to develop in a challenging and ambitious environment.</p>	<p>Shareholders</p> <p>Maintaining competitive position affords us growth opportunities to increase returns to our shareholders.</p> <p>Strong cash generation and a progressive dividend policy.</p>	<p>Communities and environment</p> <p>We aim to contribute positively to the communities and environment in which we operate.</p> <p>A recycler of steel scrap metal produced in the UK.</p>
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Design collaboration

Work closely with customers to develop cost-effective solutions to meet their needs.

Use of 3D design simulation and rapid prototyping.

Our people

Committed, experienced workforce with a high degree of technical knowledge.

Foundry production

High-volume moulding equipment used in a flexible manner (zero time changeovers) to allow production of small or large volume batches.

Ability to produce a diverse range of parts.

Technical expertise, investment in flexible automation and efficient working practices ensure cost of production is kept low, whilst quality of output is very high.

Machining capability

Highly invested machine shop focussed on the prismatic machining of castings primarily for the group customer base.

Robotic feeding of machines being rolled out to aid efficiencies and quality standards.

Vertical integration of assembly processes available.

Delivery to customer

Investment in logistics systems ensures a diverse product range is managed effectively meeting strict customer delivery deadlines.

Experience in managing logistics both domestically and for the export market.

Business and Financial Review

General overview

The year has seen increasing demand during the period with our commercial vehicle customers, which make up approximately 75% of group revenue, experiencing extremely strong order books for heavy trucks.

With demand being skewed towards particular foundry lines, significant production rebalancing has been necessary to try to satisfy the dramatic schedule increases. This has caused some production inefficiencies, particularly in the second half of the year, but these are now largely behind us.

Input price increases have been another key element in the financial year. We have seen significant changes in respect of raw materials and energy which have been recovered from our customers through established escalators. The most significant increase related to electricity following the end of a fixed price contract on 30 September 2022; the additional cost for power (approximately £15 million) was surcharged to our customers and resulted in increased revenue in the second half of the year. This did not adversely affect group profit as it is a pass-through of a direct cost increase.

Overview of business segment performance

The segmental revenue and results for the current and previous years are set out in note 2 on pages 46 and 47. An overview of the performance, position and future prospects of each segment, and the relevant KPIs, are set out below.

Key Performance Indicators

The key performance indicators considered by the group are:

- Segmental revenue
- Segmental profit
- EPS
- Net cash
- Dividends per share

Foundry operations

As set out previously, customer demand was strong with schedules increasing during the financial year.

The foundry businesses experienced an increase in output of 6.6% to 53,100 tonnes and a rise in external sales revenue of £53.4 million (36.7%) to £199.0 million.

After taking into account the reduction in weight from machining, this equates to approximately 59,000 tonnes of production.

Of the total output weight for the year, 59.2% related to machined castings compared to 54.0% in the previous year. The change reflects a return to the increasing proportion of more complex, machined parts after the reduction last year as a result of disrupted demand patterns.

The segmental profit has increased to £16.3 million, from £13.1 million in the previous year, which represents a profit margin of 7.3% on total segmental sales (2022 – 8.0%).

The most significant impact on the margin percentage is due to the pass-through impact of cost rises, along with the disruption due to production rebalancing. Further price increases have been negotiated with customers to address the margin erosion experienced during the year.

Investment of £4.8 million has been made in the foundry businesses during the year. This included £0.8 million completing the project to partially automate the pouring on one of the William Lee production lines and a further £1.1 million on other automation projects.

Machining

The machining business generated total sales of £27.7 million in the year compared to £22.5 million in the previous year. Of the total revenue, 7.3% was generated from external customers compared to 13.3% in 2022.

The segmental result for the year was a profit of £0.2 million (2022 – loss of £0.9 million).

With the higher volumes in the year, the benefits of the engineering and productivity improvements that have been made are now being realised. With the pricing corrections that have been made, the result in the final quarter was particularly strong.

We have invested £1.4 million during the year, which included £0.4 million in the roll-out of automation which will continue during the current year. A further £0.5 million investment was made in a more power efficient cooling plant in one area of the business, which will help to reduce energy consumption.

Business review and performance

Revenue

Group revenues increased by 35.3% to £201.0 million compared to £148.6 million reported in 2022, of which 83% was exported (2022 – 79%).

The revenue from the foundry operations to external customers increased by 36.7% to £199.0 million (2022 – £145.6 million) with the dispatch weight of castings to third-party customers increasing by 6.6% to 53,100 tonnes (2022 – 49,800 tonnes).

Revenue from the machining operation to external customers decreased by 32.3% during the year to £2.0 million (2022 – £3.0 million).

Operating profit and segmental result

The group operating profit for the year was £16.4 million compared to £12.0 million reported in 2022, which represents a return on sales of 8.1% (2022 – 8.1%).

Finance income

The level of finance income increased to £0.34 million compared to £0.05 million in 2022, reflecting the rising interest rates available on deposits during the financial year.

Profit before tax

Profit before tax has increased to £16.7 million from £12.1 million in the prior year.

Taxation

The current year tax charge of £2.92 million (2022 – £3.52 million) is made up of a current tax charge of £2.41 million (2022 – £1.89 million) and a deferred tax charge of £0.51 million (2022 – charge of £1.63 million).

The effective rate of tax of 17.5% (2022 – 29.2%) is lower than the main rate of corporation tax of 19%. The primary reason for this is a credit to the deferred tax estimate relating to the prior year of £0.43 million, offset by the deferred tax liability arising from the super-deduction claimed on plant investment during the year.

Earnings per share

Basic earnings per share increased 61.5% to 31.66 pence (2022 – 19.60 pence), reflecting the 38.0% increase in profit before tax and a significantly lower effective tax rate compared to the previous year.

Options over 42,468 shares were granted during the year (2022 – options over 32,149 shares), as set out in note 17. The company purchased 47,900 shares during the year (2022 – 26,100). As a result, the weighted average number of shares has decreased to 43,671,502 resulting in a diluted earnings per share of 31.58 pence per share (2022 – 19.57 pence per share).

Dividends

The directors are recommending a final dividend of 13.51 pence per share (2022 – 12.57 pence per share) to be paid on 18 August 2023 to shareholders on the register on 21 July 2023. This would give a total ordinary distribution for the year of 17.35 pence per share (2022 – 16.23 pence per share).

In addition, a supplementary dividend of 15.00 pence per share has been declared which will be payable on 26 July 2023 to shareholders on the register on 23 June 2023.

Cash flow

The group generated cash from operating activities of £22.4 million compared to £12.9 million in 2022. When compared to 2022, the variance is mainly due to a significant increase in operating profit of £4.6 million and a working capital outflow swing of £5.1 million.

In the year to 31 March 2023, the main working capital movements centre around the higher input prices from suppliers which are then passed onto customers in the form of higher selling prices. This has resulted in a £10.0 million increase in trade receivables in the year and a £6.5 million increase in trade payables. The input price increase impact on inventory has been offset by the lower level held in stock at the year end compared to the prior year.

Corporation tax payments during the year totalled £2.9 million compared to £2.6 million in 2022.

Capital expenditure during the year amounted to £6.2 million (2022 – £4.4 million). This included investment of £0.8 million as part of a foundry moulding line automation project as well as other automation and productivity enhancements. The charge for depreciation was £8.6 million (2022 – £8.6 million).

The company pays pensions on behalf of the two final salary pension schemes and then reclaims these advances from the schemes (as set out in note 5). During the year repayments of £2.1 million (2022 – £2.5 million) were received from the schemes and advances were paid on behalf of the schemes of £2.1 million (2022 – £2.1 million). These advances will be repaid to the company during the current financial year.

Dividends paid to shareholders were £13.7 million in the year (2022 – £6.7 million) which includes £6.5 million in relation to a supplementary dividend in respect of the year ended 31 March 2022.

The company purchased 47,900 (2022 – 26,100) shares to be held in treasury at a total cost of £0.15 million (2022 – £0.08 million).

The net cash and cash equivalents movement for the year was a slight decrease of £0.18 million (2022 – decrease of £0.35 million).

At 31 March 2023, the total cash and deposits position was £35.6 million (2022 – £35.8 million).

Pensions

The pension valuation showed an increase in the surplus, on an IAS 19 (Revised) basis, to £10.4 million compared to £9.9 million in the previous year.

The majority of the liabilities of the schemes are covered by an insurance asset that fully matches, subject to final adjustment of the bulk annuity pricing, the remaining pension liabilities of the schemes. However, there remains the uninsured element relating to the GMP equalisation liability. This liability has decreased during the year as a result of the change in valuation assumptions (further detail is set out in note 5).

The pension surplus continues not to be shown on the balance sheet due to the IAS 19 (Revised) restriction of recognition of assets where the company does not have an unconditional right to receive returns of contributions or refunds.

Balance sheet

Net assets at 31 March 2023 were £131.7 million (2022 – £131.5million). Other than the total comprehensive income for the year of £13.9 million (2022 – £8.7 million), the only movements relate to the dividend payment of £13.7 million (2022 – £6.7 million), shares purchased in the year for £0.15 million (2022 – £0.08 million) and share-based payment charge of £0.1 million (2022 – £0.08 million).

Non-current assets have decreased to £60.7 million (2022 – £63.2 million) primarily as a result of investment in property, plant and equipment during the year being at a level below the depreciation charge.

Current assets have increased to £113.7 million (2022 – £102.0million) as a result of the increase in trade receivables as previously mentioned.

Total liabilities have increased to £42.8 million (2022 – £33.7 million), largely as a result of an increase in trade payables.

Principal Risks and Uncertainties

In common with all trading businesses, the group is exposed to a variety of risks in the conduct of its normal business operations.

The directors regularly assess the principal risks facing the entity. Whilst it is difficult to completely quantify every material risk that the group faces, below is a summary of those risks that the directors believe are most significant to the group's business and could have a material impact on future performance, causing it to differ materially from expected or historic achieved results. Information is also provided as to how the risks are, where possible, being managed or mitigated.

The group does not operate a formal internal audit function; however, risk management is

overseen by senior management and group risk registers are maintained and regularly reviewed, alongside factors which may result in changes to risk assessments or require additional mitigation measures to be implemented.

External consultants are used to assess design and effectiveness of controls relating to IT security to provide specialist support to management in this area.

Key risks arising or increasing in impact are reviewed at both group and subsidiary board meetings.

The impact of each risk set out below has been described as increased, stable or decreased dependent upon whether the

business environment and group activity has resulted in a change to the potential impact of that risk.

Several principal risks have been removed which have been key themes in the last few years. As the conditions of the United Kingdom's exit from the European Union seems to be largely concluded and the resulting changes embedded, it is no longer considered a principal risk to the business as a standalone issue. Similarly, with vaccination programmes largely successful in major markets, COVID-19 has also been removed as a principal risk. Both issues remain subject to review as part of the group's internal risk review process.

Risk description	Impact	Mitigation and control
Technological change		
<p>Customers continue to invest in the development of electric and hydrogen powered vehicles to move away from internal combustion engines ('ICE').</p> <p>The initial phase of this is focussed on passenger cars and smaller, short-range trucks which are not key markets for the group. However, the continued development of new technology does present a medium-term risk to the group as c. 30% of group revenue arises from the supply of cast iron powertrain components.</p> <p>It is important to note that such a change also presents an opportunity for the group to evolve its product offering, as has always been the case over the years.</p>	<p>Stable</p> <p>The group continues to work with key customers producing the next generation of ICE commercial vehicles, whilst monitoring opportunities for the future.</p>	<p>The strategic focus of the group is evaluated regularly through group board meetings.</p> <p>Consideration is given to what opportunities might be available within alternative light-weight metals (e.g aluminium), value added opportunities and also replacement technologies for heavy-duty trucks.</p> <p>The group's electricity contracts are fully Renewable Energy Guarantees of Origin ('REGO') backed and the gas contracts will be from 1 October 2023. This provides a platform for the group to support our customers Green Iron aspirations.</p>
Operational and commercial		
<p>The group's revenues are principally derived from the commercial vehicle markets which can be subject to variations in patterns of demand.</p> <p>Commercial vehicle sales are linked to technological factors (for example emissions legislation) and economic growth.</p>	<p>Stable</p> <p>The operational and commercial activity of the business is driven by customer demand. Demand has the potential to change rapidly dependent upon the significant variable factors in the macroeconomic environment such as conflict in Ukraine, supply chain issues or changing regulatory positions.</p>	<p>The group's operations are set up in such a way as to ensure that variation in demand can be accommodated and rapidly responded to.</p> <p>Demand is closely reviewed by senior management on a constant basis.</p>

Risk description	Impact	Mitigation and control
Market competition		
Commercial vehicle markets are, by their nature, highly competitive, which has historically led to deflationary pressure on selling prices. This pressure is most pronounced in cycles of lower demand. A number of the group's customers are also adopting global sourcing models with the aim to reduce bought-out costs.	Stable Erosion of market share could result in loss of revenue and profit.	Whilst there can be no guarantee that business will not be lost on price, we are confident that we can remain competitive. The group continues to mitigate this risk through investment in productivity, with a strong focus on cost and customer value.
Customer concentration, programme dependencies and relationships		
The group has relationships with key customers in the commercial vehicle market which form the majority of the customer base.	Stable The loss of, or deterioration in, any major customer relationship could have a material impact on the group's results.	We build strong relationships with our customers to develop products to meet their specific needs.
Product quality and liability		
The group's businesses expose it to certain product liability risks which, in the event of failure, could give rise to material financial liabilities.	Stable Fines or penalties could result in a loss of revenue, additional costs and reduced profits.	Whilst it is a policy of the group to endeavour to limit its financial liability by contract in all long-term agreements ('LTAs'), it is not always possible to secure such limitations in the absence of LTAs. The group's customers do require the maintenance of demanding quality systems to safeguard against quality-related risks and the group maintains appropriate external quality accreditations. The group maintains insurance for public liability-related claims but does not insure against the risk of product warranty or recall.
Foreign exchange		
The group is exposed to foreign exchange risk on both sales and purchases denominated in currencies other than sterling, being primarily euro and US dollar.	Stable The group is exposed to gains or losses that could be material to the group's financial results and can increase or decrease how competitive the group's pricing is to overseas markets.	The group's foreign exchange risk is well-mitigated through commercial arrangements with key customers. Foreign exchange rate risk is sometimes partially mitigated by using forward foreign exchange contracts. Such contracts are short term in nature, matched to contractual cash flows and non-speculative.
Equipment		
The group operates a number of specialist pieces of equipment, including foundry furnaces, moulding lines and CNC milling machines which, due to manufacturing lead times, would be difficult to replace sufficiently quickly to prevent major interruption and possible loss of business in the event of unforeseen failure.	Stable A large incident could disrupt business at the site affected and result in significant rectification costs or material asset impairments.	Whilst this risk cannot be entirely mitigated without uneconomic duplication of all key equipment, all key equipment is maintained to a high standard and inventories of strategic equipment spares maintained. The foundry facilities at Brownhills and Dronfield have similar equipment and work can be transferred from one location to another very quickly.

Principal Risks and Uncertainties

continued

Risk description	Impact	Mitigation and control
Suppliers		
<p>The group holds long-standing relationships with key suppliers and there is a risk that a business which the group is critically dependent upon could be subject to significant disruption and that this could materially impact the operations of the group.</p> <p>There are specifically high risks of semi-conductor shortages in the supply chain, COVID-19 outbreaks, disruption because of the conflict in Ukraine or logistical delays.</p>	<p>Stable</p> <p>The risk of a supplier's business interruption remains very high due to the current global business environment.</p>	<p>Although the group takes care to ensure alternative sources of supply remain available for materials or services on which the group's businesses are critically dependent, this is not always possible to guarantee without risk of short-term business disruption, additional costs and potential damage to relationships with key customers.</p> <p>The group continues to maintain productive dialogue with key suppliers, working together to adjust to changes to the business environment.</p>
Commodity and energy pricing		
<p>The group is exposed to the risk of price inflation on raw materials and energy contracts.</p> <p>The principal metal raw materials used by the group's businesses are steel scrap and various alloys. The most important alloy raw material inputs are premium graphite, magnesium ferro-silicon, copper, nickel and molybdenum.</p>	<p>Stable</p> <p>Changes to the pricing of the group's commodity and energy purchases could materially impact the financial performance of the group if no mitigating actions were taken.</p> <p>Power and raw material markets have become very volatile because of the current conflict in Ukraine and other associated supply issues.</p>	<p>Wherever possible, prices and quantities (except steel) are secured through long-term agreements with suppliers. In general, the risk of price inflation of these materials resides with the group's customers through price adjustment clauses.</p> <p>Historically, energy contracts have been locked in for at least 12 months. With the volatile power market, following the end of our fixed price contract on 30 September 2022, the group entered into a flexible power agreement. When markets permit, it would be the intention to revert back to a fixed contract. Management has worked with customers during the course of the year to pass these costs through in a timely manner.</p>
Information technology and systems reliability		
<p>The group is dependent on its information technology ('IT') systems to operate its business efficiently, without failure or interruption.</p> <p>The group continues to invest in IT systems to aid in the operational performance of the group and its reporting capabilities.</p> <p>There are increasing global threats faced by these systems as a result of sophisticated cyberattacks.</p>	<p>Stable</p> <p>Significant failures to the IT systems of the group as a result of external factors could result in operational disruption and a negative impact on customer delivery and reporting capabilities.</p>	<p>Whilst data within key systems is regularly backed up and systems subject to virus protection, any failure of backup systems or other major IT interruption could have a disruptive effect on the group's business.</p> <p>IT projects are reviewed and approved at board level and the group continues to invest in IT security to improve our resilience and response towards such threats.</p> <p>The group engages with external specialists to regularly assess the security of the IT network and systems.</p>

Risk description	Impact	Mitigation and control
Regulatory and legislative compliance		
<p>The group must comply with a wide range of legislative and regulatory requirements including modern slavery, anti-bribery and anti-competition legislation, taxation legislation, employment law and import and export controls.</p>	<p>Stable Failure to comply with legislation could lead to substantial financial penalties, business disruption, diversion of management time, personal and corporate liability and loss of reputation.</p>	<p>The group maintains a comprehensive range of policies, procedures and training programmes in order to ensure that both management and relevant employees are informed of legislative changes and it is clear how the group's business is expected to be carried out.</p> <p>Whistleblowing procedures and an open-door management style are in place to enable concerns to be raised and addressed.</p> <p>Specialist advice is made available to management when required to ensure that the group is up to date with changes in regulation and legislation.</p>
Climate change		
<p>The group's operations are energy-intensive and whilst the group considers that its businesses provide fundamental components and services which will prove resilient in a transition towards a net zero economy, the board recognises the group is likely to receive increased scrutiny in the future in relation to emissions and climate change.</p>	<p>Stable It is expected that green taxes on energy and the compliance cost of meeting developing reporting obligations for our stakeholders will result in increased energy prices and administrative expenses.</p>	<p>The working group, formed last year, continues to monitor and report on developments with regards to climate risk.</p> <p>As part of the renewal of energy contracts the group reviews whether investment in renewable energy sources would meet the group's investment criteria and such proposals will continue to be considered on their commercial merits.</p> <p>The group will continue to engage with and understand the needs of its stakeholders with regard to climate risk.</p>
People risk		
<p>The group's operations depend upon the availability of both skilled and unskilled labour to operate manual equipment and fulfil our strategic goals.</p> <p>Inability to attract and retain talent could result in either a shortage of staff or a reduction in operating margins.</p>	<p>Stable The labour market has been extremely competitive during the year.</p>	<p>The group looks to provide safe, stable and long-term employment at competitive rates of pay.</p> <p>We invest in people development and utilise technology and productivity gains to ensure that our products remain competitively priced.</p>

Environmental, Social and Governance

Our strategy

Our approach to ESG and sustainability activities continues to focus on providing safe, long-term employment for the local economy whilst generating sustainable value for stakeholders (set out on page 5) in a manner which is consistent with our governance obligations.

The group presents its ESG Report for the year to 31 March 2023 taking note of relevant industrial data points suggested in the London Stock Exchange guidance on ESG reporting. These metrics are used both in the context of wider ESG reporting and to support our Task Force on Climate-related Financial Disclosures ('TCFD') metric reporting.

At a glance

Completed initiatives	On-going initiatives
<ul style="list-style-type: none"> 100% renewable electricity powering the groups plant. 100% green gas from 1 October 2023. Investment in plastic, cardboard and coolant recycling facilities. Investment in compactors to allow recycling of swarf from machining business to be remelted in the foundries. Appointment of additional independent non-executive director. 	<ul style="list-style-type: none"> Investment in energy efficient cooling plant in collaboration with the BEIS Industrial Energy Transformation Fund. Upgrades to compressor systems to improve energy efficiency. Technical appraisal of sand reclamation equipment to enable foundry sand to be re-used. Application for a solar PV system at the Brownhills site, currently rejected and under appeal.

Environmental

As an energy-intensive industry, we understand that we must evolve in order to meet the needs of our stakeholders. The group continues to improve its environmental credentials in a commercially viable manner, with numerous success stories to date. We are taking proactive steps to build on this further, working in collaboration with customers, suppliers, industry bodies and research organisations as set out in our report under the TCFD framework on pages 16 and 17. The data set out in this section corroborates the strong environmental credentials of the group.

Carbon emissions

We have calculated our carbon footprint according to the World Resources Institute ('WRI') and World Business Council for Sustainable Development ('WBCSD') GHG Protocol, which is the internationally recognised standard for corporate carbon reporting. The group's total CO₂ emission data is based on Scope 1 and Scope 2. Scope 1 emissions are direct emissions resulting from fuel usage and operation of facilities. Scope 2 emissions are indirect energy emissions resulting from purchased electricity and other power for own use.

The group collects monthly consumption information from each facility and converts to tonnes of CO₂e ('tCO₂e') produced using the DEFRA published national carbon conversion factors.

Energy consumption and intensity

A key priority of the company is to manage energy efficiently, thus reducing our carbon footprint and creating value for our stakeholders. It is pleasing to report, in the table below, the high level trend of a reducing MWh of energy consumption as a proportion of revenue generated.

	2023	2022	2021
Scope 1	20,011	16,235	12,829
Scope 2	137,160	132,548	104,644
Total energy consumption (MWh)	157,171	148,783	117,493
Total energy intensity (MWh per £000 revenue)	0.785	1.001	1.024

Greenhouse Gas ('GHG') emissions (tCO₂e)

GHG emissions are set out below under both location and market-based methods. The location-based method reflects the average emissions intensity of the grids on which energy consumption occurs (using mostly grid-average emission factor data), namely the UK grid for the group.

The market-based method reflects emissions from electricity that companies have specifically chosen. It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation. Market-based emissions are therefore shown net of electricity supplied to the group under OFGEM certified renewable contracts.

Location-based	2023	2022	2021
Scope 1	3,602	2,974	2,359
Scope 2	26,524	28,144	24,401
Total location-based emissions	30,126	31,118	26,760
Market-based	2023	2022	2021
Scope 1	3,602	2,974	2,359
Scope 2	–	–	–
Total market-based emissions	3,602	2,974	2,359
GHG intensity (location-based)	2023	2022	2021
Revenue intensity (tCO ₂ e per £000 revenue)			
Foundry operations (gross revenue)	0.126	0.199	0.222
Machining operations (gross revenue)	0.067	0.088	0.102
Group total (net revenue)	0.151	0.209	0.233
Production intensity (tCO ₂ e per production tonne)			
Foundry operations	0.496	0.512	0.564
Group total	0.528	0.547	0.606

For the foundry businesses, the most appropriate metric to measure the intensity of GHG emissions is by production tonne; this has decreased to 0.496 (2022 – 0.512) tCO₂e per production tonne. We actively seek to minimise energy use in the group, particularly in the foundry businesses, so it is pleasing to see a reduction in emissions per tonne produced in each of the last three financial years. Energy efficiency is maximised when the plants can operate uninterrupted which has been more achievable with the high demand levels in the year.

The machining operation does not have a production weight, therefore, the relevant intensity metric used is emissions per thousand pounds of machining revenue; emissions have decreased to 0.067 (2022 – 0.088) tCO₂e per £000.

Whilst many foundry competitors still utilise fossil fuels to power furnaces, generating direct emissions, the group's operations utilise furnaces and CNC machines which are powered by purchased electricity. This allows the plant and equipment to be fuelled by power purchased from commercial energy providers supplying power from OFGEM certified renewable sources.

Waste, water and recycling

The group has made significant investments in scrap metal, plastic and cardboard recycling in recent years. The table below sets out the groups waste classifications and water use:

	2023	2022	2021
Recycled waste (tonnes)	32	48	31
Non-recycled waste (tonnes)	36,553	35,070	28,964
Hazardous waste (tonnes)	688	586	418
Water use (m ³)	71,440	65,689	49,715
Intensity			
Recycled waste (tonnes per thousand tonnes produced)	0.56	0.84	0.70
Non-recycled waste (tonnes per thousand tonnes produced)	628.13	615.93	656.33
Hazardous waste (tonnes per thousand tonnes produced)	12.06	10.30	9.48
Water use (m ³ per thousand tonnes produced)	1.252	1.154	1.127

The group has compacted and sold waste bales of plastic and cardboard for several years and continues to seek ways of increasing the recycling profile. Whilst efforts have been made to increase the recycling of core by-products from the production process, this has not been reflected in the data reported above and so a greater focus is to be given to this area in the current year.

Environmental, Social and Governance

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The vast majority of the non-recycled waste relates to sand. The group is in the process of appraising a sand-reclamation project which, if successful, would enable sand to be reused in the foundry processes. In addition, the group is working with industry bodies that sponsor local university research projects with an aim to identify a commercial use for this production by-product to further reduce landfill waste.

In recent years the group has been able to reduce the volume of hazardous waste it produces through investments in evaporation and recycling equipment, reducing the disposal costs to the group. However, these investments were made prior to 2020 and therefore the improvements are not evident in the data above. The group has an ongoing project to assess further ways of extracting hazardous waste from non-hazardous elements, thus disposing of a smaller volume of hazardous waste in total.

The majority of the water consumed by the group is within the foundry production process, particularly within the sand mills. As a result, it is not anticipated that the volume of water consumed will reduce significantly other than with variations in production volumes.

There have been no environmental fines in the past three years and NOx, SOx and VOC emissions are not material.

The group's facilities are ISO 14001 accredited, and our practices and procedures are subject to regular environmental audits by external consultants.

The group demands that all activities and services comply with applicable laws and regulations.

Social

The foundation of the group's strength is its people. We strive to support our employees' health and wellbeing whilst driving a performance culture of business understanding and shared values. The group's policy is to employ people who embody its core values of commitment and excellence. These values apply to all employees regardless of seniority or position, including directors.

	2023	2022	2021
Proportion of new employees joining on temporary or short-term contracts	0.0%	0.0%	0.0%
Number of apprentices recruited	6	10	9
Staff turnover*	18.5%	21.1%	17.1%

* Staff turnover is calculated by reference to the number of people who have left employment (having worked for at least a three month period) as a proportion of the average number of employees for the year.

The group is a significant employer in each of the locations it operates and takes pride in operating its business based on permanent contracts, with employees carrying full employee status and without the use of zero hours contracts. As a result, the group traditionally has high staff retention levels and a dedicated, long-term focussed workforce.

Whilst staff turnover has decreased during the year, the group continues to look to improve employee wellbeing and return to pre-pandemic retention levels.

In addition to the structured apprenticeship training, the group provides internal, external and continuous on-the-job training for all staff as required. As a result of the nature of the training carried out, the group does not collate data concerning the number of hours of training conducted each year.

The group seeks to communicate with its employees in a structured, open manner, including regular briefings and dissemination of relevant information on the group and business unit. Employees are informed weekly of production levels and the relative production performance. Similarly, they are kept informed of any factor affecting the group and the industry generally.

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

Equality, diversity and inclusion

Recognising the demands of our customers and our strategy, the group's diversity and recruitment policy is to recruit the best available people and to invest in their training and development to enable a high level of retention. We are committed to diversity and equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation nor political bias. We have made a commitment to consider applicants from a wide range of educational backgrounds and have an active apprenticeship programme.

The group gives full consideration to employment applications by disabled persons where they can adequately fulfil the requirements of the position. If necessary, we endeavour to retrain any employee who becomes disabled during their period of employment with the group.

The gender of our staff at 31 March 2023 was as follows:

	Male	Female
Non-executive directors	4	–
Executive directors	2	–
Senior managers	30	3
Other employees	1,107	105
	1,143	108

Human rights

The group's operations are all based in the United Kingdom. Each of the group's businesses has a core of long-standing, local suppliers and several key partners based in the European Union. The group has minimal activity with suppliers outside of these areas, therefore due to the existing regulatory controls in our core areas of geographical activity, human rights is not considered to be a material issue.

Management have a high level of involvement in the day-to-day activities of the business and its suppliers and are trained to identify areas of concern which may not align with the standards the group demands. The board receives regular updates on corporate responsibility issues including the UK Modern Slavery Act.

We have a Code of Conduct that sets out our policy on compliance with legislation, child labour, anti-slavery and human trafficking and conditions of employment.

Health and safety

The board regards the promotion of health and safety measures as a mutual objective for management and employees at all levels. It is our policy to do all that is practicable to prevent personal injury and damage to property and to protect everyone from foreseeable hazards, including third parties in so far as they come into contact with the group's activities.

The group has clearly defined health and safety policies and we operate a system of strict reporting. Regular audits of health and safety at the group's manufacturing operations are carried out using independent agencies who make recommendations for improvements to achieve best practice wherever appropriate.

The group's health and safety policy is regularly reviewed and modified as circumstances and experiences dictate. The group encourages the maintenance of consistently high standards and each site is required to develop a safety management system. Health and safety training is a continual process at each site and therefore is completed on a regular basis and covering all levels within the group.

Lost time incidents

	2023	2022	2021
Accidents	219	185	144
RIDDORs	8	10	6
Near misses (foundries only)	66	40	41
Intensity (per million hours worked)			
Accidents	89.9	77.0	78.2
RIDDORs	3.3	4.2	3.3
Near misses (foundries only)	39.3	23.3	32.2

We have unfortunately seen an increase to both the number of accidents and near misses (foundries only as it is currently reported differently internally within the machining business) relative to the number of hours worked, however, there was a reduction in the number of RIDDORs (an incident resulting in absence of at least seven consecutive shifts).

Management continues to strive to reduce these figures further and investments continue to be made in areas where the accident risks are the greatest.

Governance

Strong and straightforward corporate governance underpins all our business activities. The group's arrangements are set out in the Corporate Governance section on pages 24 and 25.

There have been no political contributions made in the past three years.

Environmental, Social and Governance

continued

Board diversity

All six members of the board are white British males and therefore the targets under LR 9.8.6 (9, 10) of 40% of the board being female and at least one of the four senior positions on the board being occupied by a female and having one board member of minority ethnic origin have not been met. This is an area that remains under review by the nomination committee.

Responsible business

We are committed to conducting business with the utmost integrity and in accordance with the Bribery Act 2010 and have a clear anti-bribery and corruption policy in place, which is available on the company website. We communicate our expectations to all employees and have a zero tolerance policy in respect of improper or criminal behaviours; all directors and employees are encouraged to report any suspicions of bribery.

Non-financial information statement

We comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Information regarding our business model is set out on page 5; environmental matters on pages 12 to 14; employees, social matters and human rights on pages 14 and 15; and anti-corruption and anti-bribery matters are set out above.

Task Force on Climate-related Financial Disclosures ('TCFD')

The company has prepared disclosures based on TCFD recommendations in accordance with Listing Rules 9.8.6R as set out below. As set out in the table below, further work is underway on identifying targets and considering the resilience of company's longer-term strategy. A progress update will be provided in next year's annual report.

Governance	
Board oversight and management role	<p>Climate risk is a principal risk included on the group risk register and executive management has formed a working group, as set out in the process section on page 17, which has access to professional advice and support, to continue to understand the group's climate-related risks and opportunities and the associated impacts upon the group, its stakeholders and markets.</p> <p>Whilst no formal targets have been established as yet, the strategic focus of the group's activities and capital investment decisions include sustainability as a key consideration.</p>
Strategy	
Climate-related risks and opportunities	<p>Short term (0-2 years)</p> <p>The group can provide casting, machining, assembly and ancillary services with a low level of transport (and therefore GHG emissions emitted) between group sites and with manufacturing powered primarily by electricity generated from renewable sources. Management believes this places the business in a strong position to support its customers' and stakeholders' environmental aspirations, particularly when compared to coal-powered or geographically disparate competitors.</p> <p>Recycling, energy efficient plant solutions and waste management continue to be areas of focus with regard to reducing the group's carbon footprint and landfill waste. Through its participation in industry bodies the group supports several research projects to find commercial uses for remaining waste materials, such as sand.</p> <hr/> <p>Medium term (2-5 years)</p> <p>There is an opportunity for the group to utilise its considerable production experience, financial resource and relationships as a supplier to the established commercial vehicle markets to enter new or additional product categories as they develop at scale. In the nearer term, this means supplying parts to the most fuel efficient combustion engines ever produced by OEMs for HGVs as well as expanding our supply of parts to offshore power generation customers.</p> <p>Further opportunities are expected to arise for supply into the smaller end of the truck sector which is naturally more suited to the battery electric vehicle ('BEV') technology. This is not a market that the group has served to any great degree previously.</p> <hr/> <p>Long term (5 years+)</p> <p>As BEV and hydrogen fuel cell powertrain technologies evolve, there is a risk that the market for the group's cast iron internal combustion engine ('ICE') products could reduce, albeit the application of such technologies to the group's core heavy truck market is expected to be longer term. This would directly impact approximately one-third of group revenue, but opportunities will exist for the group within the new product ranges.</p>

Impact on the group's strategy and financial planning

The group's plant is depreciated over a maximum life of 15 years and is not considered at risk of impairment because of a reduction in cast iron business under currently reasonably foreseeable circumstances.

It is expected that this transition away from ICEs will be a medium to long-term, gradual strategic issue and therefore investment will be appropriately managed to avoid redundant undepreciated plant that may become subject to impairment. Structural parts to heavy goods vehicles will potentially continue to be made from cast iron due to the material's favourable characteristics.

Strategy
Resilience of the company's strategy, taking into consideration different climate-related scenarios

The group's production sites are based in Brownhills, West Midlands and Dronfield, Derbyshire. The physical risks of climate change are not expected to materially impact the production capability of either UK site.

Approximately one-third of the group's turnover arises from the sale of parts which are used by our customers to produce ICEs for heavy trucks. This revenue would be at risk in the event of a sudden technological or regulatory development which rendered the ICE obsolete.

This scenario is considered unlikely to develop quickly given the reliance of the human population on a well-functioning transport and logistics infrastructure to transport essential items such as food. In addition, any technology break-through would need significant infrastructure changes to support the charging or re-fuelling of an alternative powertrain for heavy trucks. At present the group is working with OEMs on a variety of project opportunities, whilst research into the technical direction of the market (in response to climate-related scenarios) continues, including:

- Supplying parts which make current large diesel engines significantly more efficient.
- Providing additional on-site ancillary services to reduce unnecessary transportation of parts.
- Making our own product using renewable energy .
- Collaborating to supply parts and potential capacity for the manufacture of electric trucks.

Whilst we are working with our key customers to facilitate movement away from ICEs and are active commercially in this area, our key customers continue to invest significantly in new, more efficient diesel engine production facilities and therefore we continue to see the phase out of diesel engines in the heavy truck market as a long term issue in our scenario planning.

At present, we continue to focus on the short to medium term opportunities the transition to a zero-emission market can provide, whilst utilising our engineering expertise and customer relationships to develop our long term strategy alongside our customer base.

This initial consideration of resilience has been set out by the group and consideration is being given to more detailed scenario analysis.

Process for identifying and managing risks

The working group formed to review climate-related risks and opportunities identifies and manages climate-related risks.

The working group includes the group finance director, group financial controller, group health, safety and environment director, the group CEO where appropriate and other members of the group's senior management team when relevant issues are due for discussion.

The working group has been supported by external advisers both with regard to market developments and ESG reporting during the year and following this the working group has established an appropriate internal response to developments.

Any significant issues will continue to be raised to the audit and risk committee through the review of the group risk register and associated updates.

Metrics and targets

Metrics have been reported within the relevant sections of the group ESG Report on pages 12 to 14. Consideration is being given as to the targets that might be used by the group to manage climate-related risks and opportunities and performance against those targets.

Viability Statement

In conducting the review of the group's long-term prospects, the directors considered economic and market conditions in conjunction with the strategy and the principal risks facing the group (as set out in the Strategic Report on pages 2 to 19). This assessment considered the impact of the principal risks on the business model and on future performance, liquidity and solvency and was mindful of the limited forward visibility that the group has in respect of its major market of commercial vehicles.

In preparing this statement of viability, the directors have considered the prospects of the group over the three year period immediately following the financial year ended 31 March 2023. This longer-term assessment process supports the board's statements on both viability, as set out below, and going concern (on page 25).

A three year period was determined as the most appropriate for the purpose of concluding on longer-term viability, given the limited forward visibility of the group.

The directors' viability assessment included a review of three year profit and cash flow estimates, alongside the group's current position, and a review of the sensitivity analysis performed on the three year estimate whereby the principal risks, particularly those related to markets and customers, were applied to the plan. The assessment was based on current demand schedules from customers and assumed that these levels remained consistent for the three year period. The sensitivity analysis was based on the assumption that demand levels were reduced by 50% for the three year period, such a reduction representing a demand level just below the lowest level experienced in the last 15 years.

In making this viability statement, the directors considered the mitigating actions that would be taken by the group in the event that the principal risks of the company become realised. The directors also took into consideration the group's strong financial position at 31 March 2023, with cash and deposits of £35.6 million, no debt and a history of strong cash generation.

The directors have assessed the viability of the group and, based on the procedures outlined above in addition to activities undertaken by the board in its normal course of business, confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2026.

S172(1) Statement

The following disclosures describe how the directors have had regard to the matters set out in section 172(1)(a) to (f), relating to the directors' duty to promote the success of the company, and forms the directors' statement required under section 414CZA(1) of the Companies Act 2006.

Stakeholder engagement

Our success depends on the relationships we have with the people, communities and organisations that have an interest in our business and may be impacted by the decisions we take. The key stakeholders are set out in the business model on page 5 and the manner of our engagement with them is described below.

Customers

Dedicated sales, technical and production teams engage with customers to foster a collaborative working relationship for the long term. Investment in the latest production technologies ensures we provide the quality, efficiency and on-time delivery they require.

Employees

An important part of the culture of the group is our open-door style of management. All senior personnel are visible throughout the business on a daily basis engaging with the workforce across all levels; it is important to both the company and our employees that they have that chance to share their opinions. In addition, regular function-specific committee meetings take place as well as regular information sharing to the whole workforce.

Shareholders

We engage with our shareholders through a number of channels which include the Annual Report, AGM, investor site visits, one-to-one meetings and telephone conversations. They are interested in the strategy and its execution, generating strong returns and maintaining financial discipline. We report and discuss these areas on a regular basis.

Communities and environment

As a significant employer for each area where we are based, we support local employment and apprenticeship schemes. We seek to engage and collaborate with local educational institutes where possible and increase the overall visibility of the group. The local communities are keen to ensure we are supporting and investing in local jobs, operating safely and ethically as well as reducing our environmental impact. We provide direct employment to over 1,200 people, invest in our facilities to provide a safe workplace and consider opportunities to ensure a more sustainable strategy.

Suppliers

We seek to improve our business relationships with our key suppliers to protect the operations of the company. We engage with suppliers to ensure they comply with our code of conduct to maintain high standards of supply.

Principal decisions taken during the year

Supplementary dividend

The board declared a supplementary dividend of 15.00 pence per share as set out in note 8. During our engagement with investors, the level of cash maintained by the company was discussed and the board decided to exercise their discretion and return an additional £6.5 million to shareholders. In reaching this decision the board considered the company's solvency at the time and the impact on the creditors of the company. The board concluded that the payment of the dividend had no material effect on the company's ongoing business and also that the company had sufficient distributable reserves to pay the dividend.

The Strategic Report was approved by the board and signed on its behalf by

A. Vicary

Chief Executive Officer

14 June 2023

Board of Directors

Executive directors

Adam Vicary

Chief Executive Officer

Having obtained a degree in metallurgy and a business masters, Adam has worked in the foundry industry for all of his career and joined the company in September 2010 as joint managing director. He was appointed to the main board in April 2012, becoming chief executive on 31 March 2017.

Steve Mant

Finance Director

Steve is a fellow of the ICAEW and joined the company in June 2010. He was appointed company secretary and finance director on 1 November 2010. Prior to joining the company he had been working for BDO LLP specialising in manufacturing, international and listed companies.

Non-executive directors

Alec Jones

Chairman

Alec was appointed a director in April 2012, becoming chairman on 1 January 2023, and is an independent director. He was a partner in PricewaterhouseCoopers for 27 years until his retirement in 2010.

Andrew Eastgate

Senior Independent Non-executive Director

Andrew was appointed a director on 1 September 2018 and is an independent director. He is a solicitor and was a partner in Pinsents and is currently chairman of Epwin Group plc. Until 31 May 2019 he was non-executive director of Headlam Group plc and was chairman of the remuneration committee. Andrew is chairman of the remuneration and nomination committees and is also a member of the audit and risk committee.

Brian Cooke

Non-executive Director

Brian joined the company in 1960 after attending foundry college and serving an engineering apprenticeship. He worked in all departments of the company and was appointed a director in 1966, becoming joint managing director in 1968 and managing director in 1970. He ceased to be chief executive in 2007. He was appointed executive chairman in 1983, becoming non-executive chairman in 2015 before standing down on 1 January 2023. Brian will not be seeking re-election at the AGM in August.

Mark Smith

Non-executive Director

Mark was appointed a director on 16 November 2022 and is an independent director. He was a partner in PricewaterhouseCoopers LLP for 24 years until his retirement in 2021 and is currently the chair of the audit, risk and assurance committee of the West Midlands Combined Authority and the chair of the risk, audit and finance committee of the Royal Shakespeare Company. Mark is chairman of the audit and risk committee and is also a member of the remuneration and nomination committees.

Directors' Report

The directors submit the Annual Report and audited consolidated financial statements of Castings P.L.C. for the year ended 31 March 2023.

Strategic Report

The Strategic Report, which contains a review of the group's business, a description of the principal risks and uncertainties facing the group and commentary on the likely future developments, is set out on pages 2 to 19.

Financial results and dividend

The profit for the year after taxation was £13,790,000 (2022 – £8,552,000), full details of which are set out in the consolidated statement of comprehensive income on page 39.

An interim dividend of 3.84 pence per share was paid in January 2023 in respect of the year ended 31 March 2023.

The directors recommend a final dividend of 13.51 pence per share payable on 18 August 2023 to shareholders on the register on 21 July 2023, making a total ordinary distribution of 17.35 pence for the year.

A supplementary dividend of 15.00 pence per share has been declared which will be payable on 26 July 2023 to shareholders on the register on 23 June 2023.

Share capital

The company's capital consists of 43,632,068 (2022 – 43,632,068) ordinary shares of 10 pence each with voting rights. There are no restrictions on voting rights.

There are no restrictions on the transfer of shares in the company and in particular there are no limitations on the holding of shares and no requirements to obtain the approval of the company, or of other shareholders, for a transfer of shares.

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company's registrar, Link Asset Services,

or to the company directly.

Subject to legislation and to any resolution of the company in general meeting, all unissued shares are at the disposal of the board who may allot, grant options over or otherwise dispose of them to such persons, on such terms and at such times as it may think fit.

The company is authorised to purchase its own shares; 47,900 shares were purchased during the year (2022 – 26,100) at a total cost of £151,941 (2022 – £78,661).

Directors

The directors of the company are listed on page 20 and their interests in the ordinary share capital at the beginning and end of the year were:

Beneficial holdings

	2023 Total	2022 Total
A. N. Jones	—	—
A. Vicary	35,000	35,000
S. J. Mant	12,350	9,250
A. K. Eastgate	1,000	1,000
B. J. Cooke	2,001,936	1,993,936
M. L. Smith	—	—

There have been no changes in the shareholdings of directors since the year end.

In accordance with Provision 18 of the UK Corporate Governance Code all directors are subject to annual re-election. B. J. Cooke is retiring from the board and not seeking re-election at the AGM. The board considers that the performance of those directors proposed for re-election continues to be effective, that they remain independent in judgement and that they demonstrate a strong commitment to their role.

The unexpired period of the contracts of service for A. Vicary and S. J. Mant is one year. A. N. Jones, A. K. Eastgate, B. J. Cooke and M. L. Smith do not have contracts of service.

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

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The number of directors is not subject to any maximum but shall not be less than two.

The company may by ordinary resolution elect any person to be a director and the board has the power to appoint any person to be a director, but any director so appointed will be subject to election at the next Annual General Meeting.

There is no minimum shareholding requirement for directors.

The business of the company is managed by the board, who may exercise all such powers of the company as are not by legislation or by the company's Articles required to be exercised in general meeting. The board may make such arrangements as it thinks fit for the management and transaction of the company's affairs and may for that purpose appoint local boards, managers and agents and delegate to them any of the powers of the board (other than the power to borrow and make calls on shares) with power to sub-delegate.

Other than the directors' service contracts, the directors have no interests in any contract of the business.

Directors' Report

continued

Substantial shareholdings

As at 14 June 2023, the company had been notified, in accordance with DTR Rule 5, of the following disclosable interests, including directors, in its voting rights:

	Number	%
Ruffer LLP	9,104,669	20.9
Aberforth Partners' Clients	6,107,078	14.0
Threadneedle Asset Management Limited	2,191,674	5.0
B. J. Cooke	2,001,936	4.6
NR Holdings Limited	1,800,000	4.1

Special business

There will be the following items of special business at the Annual General Meeting.

Directors' authority to allot shares

Approval will be sought to renew the authority given to the directors to allot shares in the company in accordance with section 551 of the Companies Act 2006. The present authority was granted on 16 August 2022 and under the Companies Act must be renewed at least every five years. The renewed authority would therefore expire on 14 August 2028, but will be put to annual shareholder approval.

Authority will also be sought from shareholders to allow the directors to allot equity securities for cash as if section 561 of the Act (which gives shareholders certain pre-emption rights on the issue of shares) did not apply. Such allotments being up to a maximum nominal amount of £218,160, being approximately 5% of the current issued share capital. The renewed authority would expire on 14 August 2024.

In any three year period no more than 7.5% of the issued share capital will be issued on a pre-emptive basis.

The proposed resolutions are set out as items 11 and 12 in the Notice of Meeting.

Authority to purchase own shares

At the Annual General Meeting in 2022, the board was given authority to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of the company's existing shares, through market purchases on The London Stock Exchange. The maximum price to be paid on any exercise of the authority was restricted to 105% of the average of the middle market quotation for the shares for the five dealing days immediately preceding the day of a purchase. The minimum price which

may be paid for each share is 10 pence.

The current authority to make market purchases expires at the forthcoming Annual General Meeting. The directors are now seeking the approval of shareholders for the renewal of this authority upon the same terms, namely to allow the company to purchase and cancel up to 4,358,844 of its own shares, representing 9.99% of its issued share capital at 31 March 2023. The authority is sought by way of a special resolution, details of which are also included in the Notice of Meeting as item 13.

This authority will only be exercised if the directors, in the light of market conditions prevailing at the time, expect it to result in an increase in future earnings per share, and if it is in the best interests of shareholders generally.

Stakeholder engagement

The key stakeholders are set out in the Business Model on page 5. The engagement and decisions taken during the year are set out in the Section 172(1) statement on page 19.

Employee involvement

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

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

Further details of employee involvement and the group's policy on the employment of disabled persons are given under the Environmental, Social and Governance section on pages 12 to 17 and the S172(1) statement on page 19.

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. Further details of health and safety are given under the Environmental, Social and Governance section on pages 12 to 17.

Financial instruments

Details of the use of financial instruments by the group are contained in note 20 in the notes to the consolidated financial statements.

Research and development

Activities and likely future developments for the business are described in the Strategic Report on pages 2 to 19.

Articles of Association

Any amendments to the Articles of Association have to be adopted by the members by a special resolution in general meeting. The current articles were adopted in August 2011.

Post balance sheet events

There were no reportable subsequent events following the balance sheet date.

Independent auditor

The auditor, Mazars LLP, have indicated their willingness to continue in office. A resolution proposing their reappointment as auditor of the company and authorising the directors to determine their remuneration will be submitted at the Annual General Meeting.

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

Significant agreements

There are no significant agreements to which the company is party that take effect, alter or terminate upon a change of control of the company following a takeover bid.

Corporate governance

Details of the group's corporate governance policies are dealt with on pages 24 and 25.

Greenhouse gas emissions

Details of the group's greenhouse gas emissions are set out on pages 12 and 13.

Cautionary statement

Under the Companies Act, a company's Strategic Report and Directors' Report are required, among other matters, to contain a fair review by the directors of the group's business through a balanced and comprehensive analysis of the development and performance of the business of the group and the position of the group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chairman's Statement, the Principal Risks and Uncertainties and Environmental, Social and Governance section incorporated into it by reference (together, the Directors' Report), has been prepared solely to provide additional information to shareholders to assess the company's strategies and the potential for those strategies to succeed. The Directors' Report should not be relied upon by any other party or for any other purpose.

The Directors' Report (as defined) contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Approval of Directors' Report and Responsibility Statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his knowledge:

- a. each of the group and parent company financial statements, prepared in accordance with International Financial Reporting Standards in accordance with the Companies Act 2006 and UK Financial Reporting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- b. the Chairman's Statement, Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's and group's performance, business model and strategy.

On behalf of the board

A. N. Jones

Chairman

14 June 2023

Corporate Governance

General

Castings P.L.C. recognises the importance of high standards of corporate governance. The board has considered the principles and provisions of the 2018 UK Corporate Governance Code and will continue to adhere to them where it is in the interests of the business, and of the shareholders, to do so.

The manner in which the board provides leadership of the company within a framework of prudent and effective controls is set out in this section.

Board of directors

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

During the financial year, the board comprised two executive directors and three non-executive directors, increasing to four on 16 November 2022. The non-executive directors are independent of executive management and none of the non-executive directors participate in share option or other executive remuneration schemes, nor do they qualify for pension benefits.

A. N. Jones was appointed chairman on 1 January 2023 and has served on the board for more than nine years, having been appointed in April 2012. Notwithstanding the length of service, the board considers that he remains independent and that the skill and experience he brings and his overall contribution to the board remains of significant value to the group.

B. J. Cooke stood down as chairman on 1 January 2023 and will remain a non-executive director until the AGM in August 2023. Having joined the company in 1960 and previously served as chief executive of the company, he is not considered to be independent

under the UK Corporate Governance Code. However, the board consider his knowledge of the industry and advice to continue to be invaluable to the group and that this outweighs concerns as to his independence from the company.

The directors maintain their knowledge through a combination of technical and market bulletins and attendance at seminars. The company secretary has responsibility for bringing new regulatory developments to the attention of the board.

Board committees

The principal committees established by the directors are:

Audit and risk committee

Further details are contained within the Audit and Risk Committee Report on page 26.

Remuneration committee

Further details are set out in the Directors' Remuneration Report on page 27.

Nomination committee

The nomination committee is chaired by A. K. Eastgate with A. N. Jones being a member until 1 January 2023 and M. L. Smith became a member on appointment as a director. The committee met once during the year. The committee takes an active role in considering, with the wider board, the overall culture of the company. It is also involved in ensuring the company considers equality, inclusion and diversity in senior management positions.

The terms of reference for the three committees are available on the company's website www.castings.plc.uk.

Effectiveness

The board undertakes an annual assessment of its own performance, its committees and the directors. The executive directors are appraised annually by the chairman and the non-executive directors. The chairman is appraised annually by the non-executive directors. The chairman considers the effectiveness of each non-executive director annually.

The results of these appraisals are considered by the remuneration committee for the determination of their remuneration recommendations.

Directors' conflicts of interest

A director has a statutory duty to avoid a situation in which he has, or can have, an interest that conflicts or possibly may conflict with the interests of the company. A director will not breach that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other directors.

The board has conducted a review of actual or possible conflicts of interest in respect of each director. The board has an agreed process for identifying current conflicts, authorised conflicts that have been identified and stipulated conditions in accordance with the guiding principles and agreed a process to identify and authorise future conflicts. In practice, directors are asked to consider and disclose actual or potential conflicts as and when a matter arises. There have been no conflicts identified during the year.

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

Director	Board		Audit and risk committee		Remuneration committee	
	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended
A. N. Jones	9	9	3	4	2	3
A. Vicary	9	9	—	4	—	—
S. J. Mant	9	9	—	4	—	—
A. K. Eastgate	9	9	4	4	3	3
B. J. Cooke	9	9	—	4	—	2
M. L. Smith	3	4	1	2	1	1

Relations with shareholders

The company holds meetings from time to time with institutional shareholders to discuss the company's strategy and financial performance. The board regularly receives copies of analysts' and brokers' briefings. The chairman is available to meet major shareholders on request to discuss governance and strategy. The senior independent director and other non-executive directors are also available to meet shareholders if requested. The Annual General Meeting is used to communicate with private and institutional investors.

Internal control

The board is ultimately responsible for the group's system of internal controls, including internal financial control, and for monitoring its effectiveness. There is a continuous process for identifying, evaluating and managing the significant risks faced by the group which is regularly reviewed and has been in place throughout the year under review and up to the date of approval of the Annual Report and financial statements. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The review covers all controls including financial, operational, compliance and risk management.

The directors confirm they have established procedures necessary to implement the internal control guidance for directors such that they comply with the 2018 UK Corporate Governance Code for the accounting year ended on 31 March 2023.

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 management accounts. The accounts include income statements and balance sheets for the year 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 auditor, who is engaged to express an opinion on the group financial statements, also considers the systems of internal financial control to the extent necessary to express that opinion. The external auditor reports the results of their work to management, including members of the board and the audit and risk committee.

The board does not consider there is a need for an internal audit function due to the size and non-complexity of the group.

Going concern

The directors have assessed the future funding requirements of the group and the company and compared them to the level of funding available. Details of the cash position are set out in note 19 to the financial statements. The group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are also set out in notes 18 and 20 to the financial statements.

The directors' assessment of going concern, and the viability statement on page 18, included a review of the group's financial forecasts and financial instruments for a three year period. The directors considered a range of potential scenarios on future demand within the key markets the group serves and how these may impact on cash flow. The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The directors also considered what mitigating actions the group could take to limit any adverse consequences.

After making these enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Summary

The board takes its responsibilities seriously albeit there are a number of areas in which it does not comply fully with the 2018 UK Corporate Governance Code. It does not feel that the size or complexity of the group and the way in which it governs would be enhanced or strengthened by further changing the already existing high standards of corporate governance practised.

For the year ended 31 March 2023 the company complied with the 2018 UK Corporate Governance Code other than the following points:

- Whilst there were four non-executive directors during the year, two have served for more than nine years as at 31 March 2023 and one of whom was not independent on appointment. However, the board recognises the value they bring to the group.
- The non-executive directors do not have specified term contracts.
- The finance director also performs the role of company secretary as there is no one else within the business qualified to fulfil the position. The role of company secretary is not full time.

These are considered acceptable given the size of the company and the way in which it operates.

By order of the board

S. J. Mant

Company Secretary

14 June 2023

Audit and Risk Committee Report

Responsibilities

The main responsibilities of the audit and risk committee are:

- to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to provide advice on whether the company's Annual Report is fair, balanced and understandable;
- to review the company's internal financial controls and internal control and risk management systems;
- to review the need for an internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services; and
- to report to the board on how it has discharged its responsibilities.

Committee composition and meetings

The audit and risk committee was chaired by A. N. Jones until 1 January 2023, on his appointment as company chairman, and by M. L. Smith after that date. A. K. Eastgate was a member of the committee. The chairman, finance director and other directors may also attend meetings as appropriate to the business in hand but are not members of the committee.

The board considers that M. L. Smith has the most recent and relevant financial experience as required by the code.

The committee meets at least four times a year. Meetings are also attended by representatives of the group's external auditor. At meetings attended by the external auditor time is allowed for the committee to discuss issues with the external auditor without the executive directors being present.

The committee operates under formal terms of reference and these are reviewed annually. The committee considers that it has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year. There were no changes to the terms of reference in the year under review.

Financial reporting and accounting judgements

During the year, the committee reviewed the appropriateness of the group's half-year and full-year financial statements, taking into account the reports of the group finance director and external auditor.

The main areas of focus considered by the committee during the year were as follows:

- revenue recognition processes have been reviewed to ensure revenue has been recognised appropriately and consistency of policy applied across the group; and
- reviewed the viability statement and agreed an appropriate assessment period and the reasonableness of the profit and loss and cash flow estimates, together with an evaluation of the main risks affecting the viability of the company over that time frame.

Internal control

During the year, the committee reviewed the effectiveness of the group's system of internal controls and risk management and the disclosures of the results in this Annual Report. The committee concluded the system to be effective.

The committee again concurred with the board's view that there is no requirement for an internal audit function due to the size and non-complex nature of the group.

External auditor

The committee oversees the relationship with the external auditor and monitors all services provided by and fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

In particular, the committee reviews and monitors the independence and objectivity of the external auditor and the effectiveness of the audit process. At the outset of the audit process, the committee receives from the auditor a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the committee to ensure coverage is appropriately focussed.

Feedback on the audit process is requested from management and for the 2023 financial year, management was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The committee concurred with the view of management.

The committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditor; there have been no such services provided during the year.

Mazars LLP ('Mazars') has been the group's external auditor since 2020. In June 2023 the committee reviewed the external audit mandate and confirmed the continuing appointment of Mazars. This was on the basis the committee was satisfied with the quality of the audit and that the Mazars audit team remained objective and independent. The committee has recommended to the board that a resolution be put to shareholders for the reappointment of the auditor at the Annual General Meeting.

As part of its work, and in line with its terms of reference, the committee also considers the discharge of the board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the UK Corporate Governance Code.

M. L. Smith

Chairman of the Audit and Risk Committee

14 June 2023

Directors' Remuneration Report

Annual statement

On behalf of the board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2023 together with the revised directors' remuneration policy for which shareholders' approval will be sought at the AGM.

During the year, the executive directors received salary increases at a rate broadly in line with that awarded to group employees generally. Share awards (in the form of nil cost options) were granted to the value of 25% of salary and the annual bonus was paid in accordance with the current directors' remuneration policy, without the exercise of discretion. Full details of directors' remuneration are set out below.

The remuneration committee has reviewed the existing directors' remuneration policy which was approved at the AGM held in 2020 for a period of three years and the application of that policy in the period since then. The overall objective of the remuneration policy is to produce an outcome which is sufficiently competitive to retain, motivate and, where necessary, recruit executive directors and senior management whilst supporting the business objectives of the group. The remuneration structure is straightforward and transparent, striking what we believe to be an appropriate balance between fixed and performance-related remuneration.

At the AGM in 2020 shareholders approved the introduction of a share ownership plan ('the plan') under which nil cost share options could be granted annually to executive directors, in order to provide a mechanism for the executive directors to build a shareholding in the company. When formulating the plan the committee took external advice and looked at several alternatives, including schemes which provide for higher awards providing performance incentives are achieved. The committee decided to adopt a scheme which awards share options at a level of up to 25% of salary but without performance criteria. The committee takes the view that the balance between certainty and value enables the plan to achieve the objective of providing a further incentive to the executive directors and aligning them more closely with the interests of shareholders, whilst remaining straightforward and easily understood. No change is proposed to the plan. The committee will consider granting options under the plan to certain members of the senior management team in due course.

The committee is, however, proposing a change to the structure of the annual bonus. For some years, an annual bonus has been payable to executive directors at the rate of 1% of pre tax profit over £10 million, with the remuneration committee having discretion to vary the bonus payable in certain circumstances. In our opinion, after taking external advice, the potential bonus realistically achievable under the current policy is behind market levels and we are proposing a change which we consider will provide a greater incentive and is nearer to market practice. It is proposed that the annual bonus is calculated as a percentage of salary on a sliding scale by reference to the achievement of specified profit levels. The proposal would provide a maximum potential bonus of up to 125% of salary for achievement of pre tax profit of £27.5 million, pre-tax profit of approximately £19.5 million would result in a bonus of 50% of salary.

Consultation has taken place with larger shareholders in the process; full details of the proposal are set out in the proposed remuneration policy below. The committee believes that the package of annual bonus and long term incentive is appropriate.

Except for the proposed alteration to the annual bonus, the remuneration policy is unchanged and the committee is of the opinion that it remains fit for purpose and in the best interests of the company and its stakeholders.

By order of the board

A. K. Eastgate

Chairman of the Remuneration Committee

14 June 2023

Remuneration committee

The remuneration committee is chaired by A. K. Eastgate with A. N. Jones being a member until 1 January 2023 and M. L. Smith joining the committee on appointment to the board on 16 November 2022. The group chairman, whilst not a formal member of the committee, is also invited to attend meetings. The remuneration committee is responsible within the authority delegated by the board for determining the remuneration policy and for determining the specific remuneration packages for each of the executive directors and the chairman. The committee also monitors the structure of remuneration of senior management. None of the executive directors were present at meetings of the committee during consideration of their own remuneration.

The remuneration committee's terms of reference are available on the company's website www.castings.plc.uk.

Remuneration policy

The underlying policy in setting the remuneration of the executive directors is that it shall be designed to attract, retain and motivate the directors and be reasonable and fair in relation to their responsibilities.

Directors' Remuneration Report

continued

Detailed policy

The table below sets out the directors' remuneration policy that will be proposed at the company's AGM and, if approved, will apply for three years from the date of approval. When determining the policy, the committee considered clarity, simplicity, risk, predictability, proportionality and alignment as set out in the Corporate Governance Code.

Remuneration element	Purpose and link to strategy	Operation	Maximum potential value
Base salary	To provide competitive fixed remuneration in order to attract and retain high calibre directors to deliver growth for the business.	Reviewed with effect from 1 April each year taking into account market rates, performance of the individual and the company and the rates of salary increase across the group.	Whilst no absolute maximum is prescribed, increases will take account of other salary increases across the group. However, in certain circumstances, including changing roles and responsibilities, market levels and individual and group performance, the committee will have discretion to award larger increases.
Benefits	To provide broadly market competitive benefits as part of the total remuneration package.	Currently include the provision of car benefit, private healthcare, life assurance and income protection. Benefits are reviewed annually taking into account market practice. The committee does have discretion to alter benefits.	Whilst the committee has not set an absolute maximum on the level of benefits, these are set at a level that the committee considers appropriate against the market.
Annual bonus	To reward contribution to the performance of the group, aligned to shareholder interests.	<p>Bonus is based on paying a proportion of salary subject to the achievement of a certain level of profits before tax and exceptional items ('pbt'). 5% of salary would be payable per £1 million of pbt between £10m and £18m, 7.5% of salary per £1 million of pbt between £18m and £21m and 10% of salary for every £1m of pbt above £21m. The committee does have discretion to pay an annual bonus (not to exceed 50% of base salary) if, in its opinion, the bonus otherwise payable does not adequately recognise the performance of the individual. It is anticipated that this discretion would only be used in unusual circumstances.</p> <p>The committee has discretion to make such changes as it thinks fit to the pbt targets, particularly having regard to any significant corporate events such as share issues.</p> <p>The annual bonus will be subject to malus and clawback provisions covering such matters as material misstatement of financial results, material irregularity and misconduct.</p>	The annual bonus cannot exceed 125% of base salary.
Pension	To provide competitive retirement benefits as part of the overall remuneration package.	Executive directors receive 7% of base salary as contributions to personal pension plans or a cash equivalent.	7% of base salary.
Share plan	To provide a mechanism to enable executive directors to build a shareholding in the company with a view to providing a further incentive and alignment with the interests of shareholders.	Awards will be in the form of nil-cost options and will normally vest three years after the date of grant, subject to continued employment with the group. Awards are not subject to performance measures as the committee believes that the balance between certainty and a lower value of award achieves the objective of providing a further incentive to the executive directors and aligning them more closely with the interests of shareholders, whilst remaining straightforward and easily understood. Awards will normally be subject to a two year holding period after vesting and may be granted on the basis that the participant shall be entitled to an additional benefit (in cash or shares) in respect of dividends paid over the subsequent holding period. Awards are subject to malus and clawback provisions covering such matters as material misstatement of financial results, material irregularity and misconduct.	Awards will normally be granted to a value of 25% of the base salary at the date of granting, though the committee has the discretion to increase this to 50% of base salary in exceptional circumstances.

Non-executive director remuneration

The fees paid to non-executive directors are set by reference to current levels in the market. Non-executive directors do not receive benefits (except for B. J. Cooke) or participate in the company's bonus schemes, nor are they eligible to join a company pension scheme.

Statement of shareholding voting

The voting to approve last year's Annual Report on the directors' remuneration and the directors' remuneration policy at the respective AGMs are set out in the following table:

	Votes for (including discretionary) Number %	Votes against Number %	Total number of votes cast	Number of votes withheld
Annual report on remuneration – approved at AGM on 16 August 2022	25,357,316 84.97%	4,486,611 15.03%	29,843,927	1,640
Directors' remuneration policy – approved at AGM on 13 August 2020	25,638,352 76.78%	7,751,961 23.22%	33,390,313	–

Implementation in 2023/24

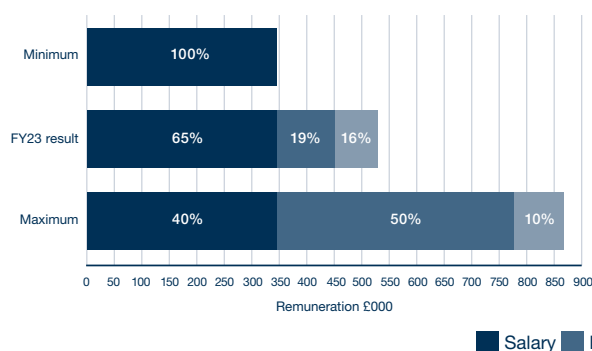
The committee has considered market rates and increases awarded to all employees in determining the base salary increases for the executive directors for 2023/24. The committee did not consult directly with the workforce or any external consultants. The chief executive officer and finance director receive a base salary of £346,023 and £251,670 respectively for the year ending 31 March 2024. This represents an increase of 9%, which is below the average rate of increase for employees across the group.

Scenario charts

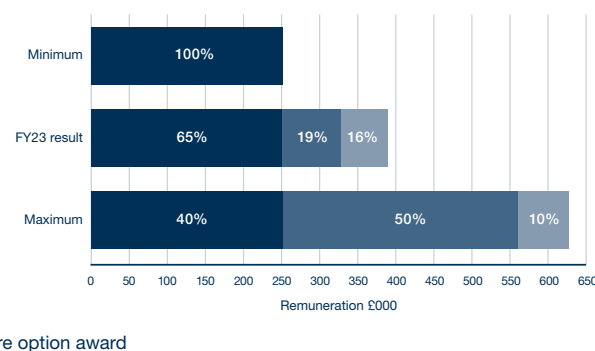
The following charts set out the potential total remuneration payments for the year ended 31 March 2024 under our remuneration policy based on the following assumptions:

- Minimum – base salary, no bonus payment and no share option award.
- Prior year – base salary, bonus based on profit as for year ended 31 March 2023 and 25% of base salary as share option award.
- Maximum – base salary, bonus of 125% of base salary and 25% of base salary as share option award.

Chief executive officer



Finance director



Recruitment policy

In the event of the recruitment of a new executive director, the remuneration package would reflect the policy set out above so far as is possible. The overall maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 175% of salary.

The committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the committee will take account of relevant factors, including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The committee will generally seek to structure 'buyout' awards or payments on a comparable basis to the remuneration arrangement forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. Fees payable on the appointment of a chairman or non-executive director would be in line with the fee policy in place at the time of appointment.

Directors' Remuneration Report

continued

Directors' shareholdings (subject to audit)

The directors' interests in the ordinary share capital of the company (including the interest of connected persons) are set out in the Directors' Report on page 21.

Directors' contracts

The executive directors entered into new service contracts on 4 June 2020. The contracts are terminable on twelve months' notice, which is considered by the committee to be appropriate, and do not contain any provision for predetermined compensation in the event of termination. Any payments for loss of office would be determined at the time taking into account all the circumstances. Non-executive directors do not have a contract of service.

Professional advice

The committee has received advice from Deloitte LLP at a cost of £1,750. Deloitte LLP has no connection with the company or any of its directors.

Annual Report on Directors' Remuneration

Directors' remuneration during the year (audited)

The directors' remuneration for the year ended 31 March 2023 is set out in the table below.

	A. N. Jones ¹		A. Vicary		S. J. Mant		A. K. Eastgate		B. J. Cooke ²		M. L. Smith ³	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Salary/fees	51	39	317	298	231	217	38	37	73	85	14	—
Benefits	—	—	14	13	14	13	—	—	8	9	—	—
Pension contributions	—	—	13	12	13	12	—	—	—	—	—	—
Total fixed remuneration	51	39	344	323	258	242	38	37	81	94	14	—
Performance-related bonus	—	—	70	53	70	53	—	—	—	—	—	—
Total variable remuneration	—	—	70	53	70	53	—	—	—	—	—	—
Total remuneration	51	39	414	376	328	295	38	37	81	94	14	—

1. A. N. Jones became chairman of the company on 1 January 2023.
2. B. J. Cooke stood down as chairman of the company on 1 January 2023.
3. M. L. Smith was appointed a director on 16 November 2022.

Share options

Share options granted under the Castings 2020 Restricted Share Plan are nil-cost options which vest three years after the grant date and are subject to continued employment with the group. The options are also subject to a two year holding period during which the participant shall be entitled to an additional benefit (in cash or shares) in respect of dividends paid in that period. The following nil-cost options were granted during the year:

	Grant date	Number of shares	Market price at grant date ¹	Fair value at grant date
A. Vicary	30 June 2022	24,586	£3.228	£79,363
S. J. Mant	30 June 2022	17,882	£3.228	£57,723

1. The average closing share price of the five days preceding the grant date.

In the event that the share price on vesting is 50% higher than the market price at the date of grant, the value of the options granted to A. Vicary and S. J. Mant would be higher by £39,682 and £28,862 respectively. The following nil-cost options are outstanding as at 31 March 2023:

	As at 1 April 2022	Options granted	Options exercised	As at 31 March 2023
A. Vicary	39,044	24,586	—	63,630
S. J. Mant	28,397	17,882	—	46,279

Relative importance of spend on pay

The following table shows actual expenditure of the group and change in spend between the current and previous financial years on remuneration paid to all employees compared to distributions to shareholders.

	2023 £000	2022 £000	Change £000	Change %
Remuneration of all employees	50,870	44,018	6,852	15.6%
Dividends declared to shareholders	7,557	7,072	485	6.9%

Chief executive officer remuneration

The total remuneration paid to the chief executive officer for the last ten years is as follows:

	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Performance-related bonus ¹	70	53	–	30	57	54	61	100	82	123
Total remuneration	414	376	319	345	357	341	340	372	347	380

1. The performance-related bonus represents 17.6% of the maximum (2022 – 14.2%); there was no maximum amount for years 2020 and earlier.

Percentage change in remuneration

2022 to 2023

The following table sets out the annual percentage change in remuneration from 2022 to 2023 for each of the directors compared to that of an average employee. A. N. Jones was appointed chairman on 1 January 2023, with B. J. Cooke standing down, which is reflected below.

	A. Vicary	S. J. Mant	B. J. Cooke	A. N. Jones	A. K. Eastgate	M. L. Smith	Average employee
Salary/fees	6.4%	6.5%	-14.1%	30.8%	2.7%	n/a	13.7%
Taxable benefits	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a
Performance related bonus	32.1%	32.1%	n/a	n/a	n/a	n/a	-21.6%

The performance related bonus reduction for an average employee is a result of a proportion of the bonus being consolidated into guaranteed pay.

2021 to 2022

The following table sets out the annual percentage change in remuneration from 2021 to 2022 for each of the directors compared to that of an average employee.

	A. Vicary	S. J. Mant	B. J. Cooke	A. N. Jones	A. K. Eastgate	Average employee
Salary/fees	1.4%	1.4%	0.0%	0.0%	0.0%	6.4%
Taxable benefits	0.0%	0.0%	0.0%	n/a	n/a	n/a
Performance related bonus	n/a	n/a	n/a	n/a	n/a	42.4%

2020 to 2021

The following table sets out the annual percentage change in remuneration from 2020 to 2021 for each of the directors compared to that of an average employee.

	A. Vicary	S. J. Mant	B. J. Cooke	A. N. Jones	A. K. Eastgate	Average employee
Salary/fees	1.4%	1.4%	0.0%	0.0%	0.0%	2.1%
Taxable benefits	0.0%	0.0%	0.0%	n/a	n/a	n/a
Performance related bonus	-100%	-100%	n/a	n/a	n/a	-30.6%

The performance related bonus reductions were due to the impact of the COVID-19 pandemic on the company during 2021.

Directors' Remuneration Report

continued

Chief executive officer pay ratio

The table below shows the chief executive officer's pay ratio at 25th, median and 75th percentile of our employees for the year to 31 March 2023. The ratios have been determined using Option A of The Companies (Miscellaneous Reporting) Regulations 2018.

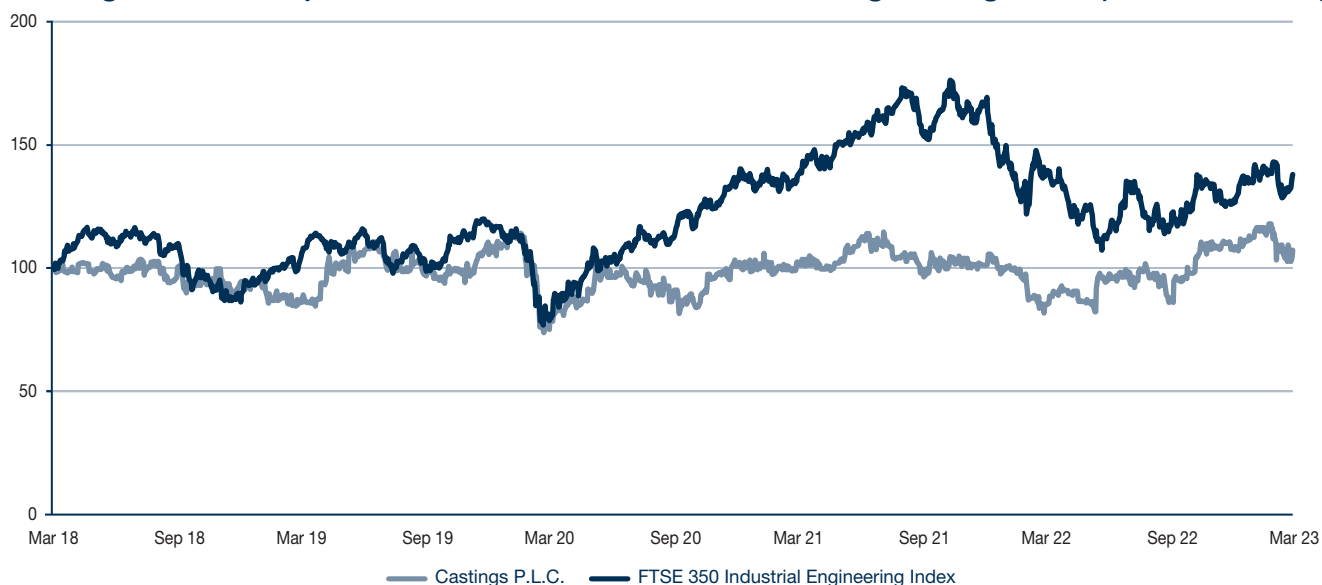
	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Year ended 31 March 2023	14.0	11.4	9.2
Year ended 31 March 2022	14.3	11.1	9.1

There has not been a significant change in the ratios from 2022 to 2023.

Total shareholder return performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE 350 – Industrial Engineering Index, also measured by total shareholder return. This index has been selected for this comparison because this is the most relevant index in which the company's shares are quoted.

Castings P.L.C. TSR performance vs FTSE 350 Industrial Engineering Index (rebased to 100)



Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in Board of Directors on page 20 confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Business and Financial Review includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditor is aware of that information.

Website publication

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

Independent Auditor's Report to the Members of Castings P.L.C.

Opinion

We have audited the financial statements of Castings P.L.C. (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The parent company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"), as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards.
- as regards the parent company statements have, been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the issues most relevant to this assessment which include rising energy costs, inflation, customer demand and the supply of materials and labour;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Castings P.L.C.'s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Revenue Recognition</p> <p>The group's and the parent company's accounting policy for revenue recognition is set out in the accounting policy notes on pages 43 and 63 respectively.</p> <p>Revenue is material for the group and the parent company and represents the largest figure in the Consolidated Statement of Comprehensive Income. An error in this balance could significantly affect a user's interpretation of the financial statements.</p> <p>As a result, we identified revenue recognition, and in particular cut-off (where revenue may be manipulated close to the year end to record revenue in the incorrect financial period) as a key audit matter.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing key controls relating to revenue recognition and performing a walkthrough to evaluate their design and implementation; • Reviewing the contract terms for a selection of customers to assess whether revenue was recognised in line with the agreed terms; and • Selecting a sample of transactions close to the year-end and verifying that they had been posted to the correct financial period. <p>Key observations</p> <p>Based on the procedures performed, we did not identify any material misstatements in relation to revenue recognition.</p>

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

	Group	Parent Company
Overall materiality	£2,001k	£1,413k
How we determined it	Materiality has been determined with reference to a benchmark of revenue, of which it represents 1%.	
Rationale for benchmark applied	We used revenue to calculate our materiality as, in our review, this is the most relevant and stable measure of the underlying financial performance of the group and parent company for this year end.	
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality should be set at 70% of our financial statement materiality, representing a value of £1,407k.</p>	<p>On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality should be set at 70% of our financial statement materiality, representing a value of £989k.</p>
Reporting threshold	We agreed with the audit committee that we would report to them misstatements identified during our audit above £60k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.	We agreed with the audit committee that we would report to them misstatements identified during our audit above £42k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, all entities within the group, including the parent company, were subject to full scope audit performed by the group audit team.

Independent Auditor's Report to the Members of Castings P.L.C.

continued

Audit work on subsidiary entities for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on individual statutory performance materiality which is lower than the consolidated materiality set out above. The performance materiality set for each subsidiary is based on the relative scale and risk of the subsidiary to the group as a whole and our assessment of the risk of misstatement at subsidiary level. The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for group audit purposes, was between £277k and £1,413k, being all below group financial statement materiality.

The group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Castings P.L.C.'s compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 25;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 18;
- Directors' statement on fair, balanced and understandable, set out on page 23;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 8;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 25; and;
- The section describing the work of the audit committee, set out on page 26.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and health and safety regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

Independent Auditor's Report to the Members of Castings P.L.C.

continued

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (cut-off), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit and Risk Committee on the 8 January 2020 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ending 31 March 2020 to date.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Louis Burns (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Two Chamberlain Square

Birmingham

B3 3AX

14 June 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Revenue	2	200,990	148,583
Cost of sales		(162,077)	(118,105)
Gross profit		38,913	30,478
Distribution costs		(5,440)	(3,411)
Administrative expenses		(17,104)	(15,040)
Profit from operations	3	16,369	12,027
Finance income	6	344	47
Profit before income tax		16,713	12,074
Income tax expense	7	(2,923)	(3,522)
Profit for the year attributable to equity holders of the parent company		13,790	8,552
Profit for the year attributable to equity holders of the parent company		13,790	8,552
Other comprehensive income/(losses) for the year:			
Items that will not be reclassified to profit and loss:			
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	5	117	119
		117	119
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of financial assets		(40)	88
Tax effect of items that may be reclassified		10	(22)
		(30)	66
Other comprehensive income for the year (net of tax)		87	185
Total comprehensive income for the year attributable to the equity holders of the parent company		13,877	8,737
Earnings per share attributable to the equity holders of the parent company	9		
Basic		31.66p	19.60p
Diluted		31.58p	19.57p

Notes to the consolidated financial statements are on pages 43 to 59.

Consolidated Balance Sheet

as at 31 March 2023

	Notes	2023 £000	2022 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	60,353	62,801
Financial assets	11	356	396
		60,709	63,197
Current assets			
Inventories	12	26,095	25,889
Trade and other receivables	13	51,080	39,874
Current tax asset		980	489
Cash and cash equivalents		35,566	35,745
		113,721	101,997
Total assets		174,430	165,194
LIABILITIES			
Current liabilities			
Trade and other payables	14	37,051	28,477
		37,051	28,477
Non-current liabilities			
Deferred tax liabilities	15	5,719	5,219
Total liabilities		42,770	33,696
Net assets		131,660	131,498
Equity attributable to equity holders of the parent company			
Share capital	16	4,363	4,363
Share premium account		874	874
Treasury shares		(231)	(79)
Other reserve		13	13
Retained earnings		126,641	126,327
Total equity		131,660	131,498

The consolidated financial statements on pages 39 to 59 were approved and authorised for issue by the board of directors on 14 June 2023, and were signed on its behalf by:

A. N. Jones

Chairman

S. J. Mant

Finance Director

Notes to the consolidated financial statements are on pages 43 to 59.

Company registration number – 91580.

Consolidated Cash Flow Statement

for the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Profit before income tax		16,713	12,074
Adjustments for:			
Depreciation	10	8,646	8,601
Loss on disposal of property, plant and equipment	3	—	62
Finance income	6	(344)	(47)
Equity-settled share-based payment expense		119	74
Pension administrative costs	5	117	119
Increase in inventories		(206)	(7,170)
Increase in receivables		(11,200)	(4,898)
Increase in payables		8,574	4,106
Cash generated from operating activities		22,419	12,921
Tax paid		(2,904)	(2,568)
Interest received	6	327	28
Net cash generated from operating activities		19,842	10,381
Cash flows from investing activities			
Dividends received from listed investments	6	17	19
Purchase of property, plant and equipment		(6,198)	(4,379)
Proceeds from disposal of property, plant and equipment		—	27
Repayments from pension schemes	5	2,114	2,496
Advances on behalf of the pension schemes	5	(2,120)	(2,114)
Net cash used in investing activities		(6,187)	(3,951)
Cash flow from financing activities			
Dividends paid to shareholders	8	(13,682)	(6,698)
Purchase of own shares		(152)	(79)
Net cash used in financing activities		(13,384)	(6,777)
Decrease in cash and cash equivalents		(179)	(347)
Cash and cash equivalents at beginning of year		35,745	36,092
Cash and cash equivalents at end of year	18	35,566	35,745
Cash and cash equivalents:			
Short-term deposits		19,993	17,065
Cash available on demand		15,573	18,680
		35,566	35,745

Notes to the consolidated financial statements are on pages 43 to 59.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Equity attributable to equity holders of the parent					
	Share capital ^{a)}	Share premium ^{b)}	Treasury shares ^{c)}	Other reserve ^{d)}	Retained earnings ^{e)}	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2022	4,363	874	(79)	13	126,327	131,498
Profit for the year	—	—	—	—	13,790	13,790
Other comprehensive income/(losses):						
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	—	117	117
Change in fair value of financial assets	—	—	—	—	(40)	(40)
Tax effect of items taken directly to reserves	—	—	—	—	10	10
Total comprehensive income for the year	—	—	—	—	13,877	13,877
Shares acquired in the year	—	—	(152)	—	—	(152)
Equity-settled share-based payments (see note 17)	—	—	—	—	119	119
Dividends (see note 8)	—	—	—	—	(13,682)	(13,682)
At 31 March 2023	4,363	874	(231)	13	126,641	131,660

	Equity attributable to equity holders of the parent					
	Share capital ^{a)}	Share premium ^{b)}	Treasury shares ^{c)}	Other reserve ^{d)}	Retained earnings ^{e)}	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2021	4,363	874	—	13	124,214	129,464
Profit for the year	—	—	—	—	8,552	8,552
Other comprehensive income/(losses):						
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	—	—	—	—	119	119
Change in fair value of financial assets	—	—	—	—	88	88
Tax effect of items taken directly to reserves	—	—	—	—	(22)	(22)
Total comprehensive income for the year	—	—	—	—	8,737	8,737
Shares acquired in the year	—	—	(79)	—	—	(79)
Equity-settled share-based payments (see note 17)	—	—	—	—	74	74
Dividends (see note 8)	—	—	—	—	(6,698)	(6,698)
At 31 March 2022	4,363	874	(79)	13	126,327	131,498

- a) Share capital (note 16) – The nominal value of allotted and fully paid up ordinary share capital in issue.
- b) Share premium – Amount subscribed for share capital in excess of nominal value.
- c) Treasury shares – Value of shares acquired by the company.
- d) Other reserve – Amounts transferred from share capital on redemption of issued shares.
- e) Retained earnings – Cumulative net gains and losses recognised in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

1 Accounting policies

General information

Castings Public Limited Company (the 'company', 'Castings P.L.C.') is incorporated and domiciled in the United Kingdom and registered in England as a public company limited by shares. The company's registered office is at Lichfield Road, Brownhills, West Midlands, WS8 6JZ, United Kingdom. The company's ordinary shares are traded on the London Stock Exchange's Regulated Market (Premium Listing). There has been no change in this information since the Annual Report for the year ended 31 March 2022.

Basis of preparation

The group financial statements have been prepared in accordance with UK-adopted international accounting standard in conformity with the requirements of the Companies Act 2006.

The IFRSs applied in the group financial statements are subject to ongoing amendment by the IASB and therefore subject to possible change in the future. Further standards and interpretations may be issued that will be applicable for financial years beginning on or after 1 April 2023 or later accounting periods but may be adopted early.

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

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

The financial statements are prepared on a going concern basis and under the historical cost convention, except where adjusted for revaluations of certain assets, and in accordance with applicable Accounting Standards and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the principal group IFRS accounting policies is set out below. The presentation currency used is sterling and the amounts have been presented in round thousands ('£000').

New standards effective and adopted by the group in the year

There have been no new standards, or amendments to standards, applied in the year that had a material effect on the group.

Going concern

In determining the basis of preparation for the consolidated financial statements, the directors have considered the group's business activities, together with factors likely to affect its future development, performance and position. Further details are set out in the viability statement on page 18 and the corporate governance statement on page 25.

Basis of consolidation

The consolidated statement of comprehensive income and balance sheet include the financial statements of the parent company and its subsidiaries made up to the end of the financial year. These subsidiaries include William Lee Limited and CNC Speedwell Limited, both of which are 100% owned, controlled by the company and are based in the UK. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Intercompany transactions and balances between group companies are eliminated in full.

Business combinations and goodwill

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

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from the sale of goods relates to the sale of castings. Revenue from the sale of services relates to machining and minor assembly work performed on a subcontract basis for external customers. Revenue is recognised once the performance obligation has been met. This is deemed to be when the goods and services have been collected by, or delivered to, the customer in accordance with the agreed delivery terms. Payment terms are based on usual market practices and commercial terms agreed with the customer.

Notes to the Consolidated Financial Statements

continued

1 Accounting policies continued

Post-retirement benefits

Two of the group's pension plans are of a defined benefit type. Under IAS 19 Employee Benefits the employer's portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the net interest also being charged/credited to operating profit subject to the asset ceiling. Actuarial gains and losses are recognised in other comprehensive income and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method. Where the group cannot benefit from a scheme surplus in the form of refunds from the plans or reductions in future contributions, any asset resulting from the above policy is restricted accordingly.

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

Property, plant and equipment

Property, plant and equipment assets are held at cost less accumulated depreciation. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, on a straight-line basis. The periods of write-off used are as follows:

- i. Freehold buildings over 50 years.
- ii. Plant and equipment over a period of 3 to 15 years.

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

Impairment of property, plant and equipment

At each balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists or an asset is not in use and therefore requires an annual test, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are largely independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to dispose and value-in-use. In assessing value-in-use, the estimated future nominal cash flows are discounted to their present value using a nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates 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 are dealt with through the consolidated statement of comprehensive income.

Financial instruments

a) Financial assets

The group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The group's accounting policy for each category is as follows:

Fair value through other comprehensive income

Fair value through other comprehensive income financial assets comprise the group's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised in other comprehensive income. The cumulative fair value gains and losses are held within retained earnings and are not treated as distributable. Fair value is determined with reference to published quoted prices in an active market. The dividend income from listed investments is presented within finance income.

1 Accounting policies continued

Amortised cost

These assets are held in order to collect contractual cash flows, on specific dates, which are solely payments of the principal and interest on the principal amount outstanding. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks and building societies, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. Where specific receivables are known to be 'bad' or it becomes apparent that payment is 'doubtful' then a credit loss allowance of 100% is applied. Such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the deposit or receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

b) Financial liabilities

The group classifies its financial liabilities into liabilities measured at amortised cost. Although the group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions, and the amounts are not material. These derivative financial instruments are accounted for at fair value through the consolidated statement of income where material to the financial statements.

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

Financial liabilities measured at amortised cost

Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value is calculated by discounting estimated future cash flows using a market rate of interest.

c) Share capital

The group's ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

Current and deferred tax

Deferred tax is provided using the liability method. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Current tax is provided for on the taxable profits of each company in the group, using current tax rates and legislation that has been enacted or substantively enacted by the balance sheet date.

Share-based payments

The cost of equity-settled transactions with employees of the company is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service conditions are met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service conditions at the vesting date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are only recognised when approved by the shareholders at the Annual General Meeting.

Finance income and expense

Finance income and expense is recognised in the consolidated statement of comprehensive income as it accrues.

Notes to the Consolidated Financial Statements

continued

1 Accounting policies continued

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

There are no significant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Critical accounting estimates and judgements

The group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimates

Pension assumptions

The costs, assets and liabilities of the defined benefit pension schemes operated by the group are determined using methods relying on actuarial estimates and assumptions. Whilst this is a source of estimation uncertainty for the group, the scheme surplus is not recognised on the balance sheet (as set out below). Details of the key assumptions are set out in note 5.

Judgements

Pension surplus

In accordance with the winding-up provisions of the Trust Deed and Rules of the final salary pension schemes, management has concluded that the company does not have an unconditional right to receive returns of contributions or refunds when the schemes are in surplus. Accordingly, the surplus has not been recognised on the balance sheet as set out in note 5.

2 Operating segments

For internal decision-making purposes, the group is organised into three operating companies which are considered to be the operating segments of the group: Castings P.L.C. and William Lee Limited are aggregated into Foundry operations, due to the similar nature of the businesses, and CNC Speedwell Limited is the Machining operation.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would be available to third parties.

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2023:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	198,972	2,018	—	200,990
Inter-segmental revenue	24,739	25,640	—	50,379
Segmental result	16,332	169	(15)	16,486
Unallocated costs:				
Defined benefit pension cost				(117)
Finance income				344
Profit before income tax				16,713
Total assets	162,671	26,687	(14,928)	174,430
Non-current asset additions	4,826	1,372	—	6,198
Depreciation	5,235	3,411	—	8,646
Total liabilities	(45,668)	(6,759)	9,657	(42,770)

All non-current assets are based in the United Kingdom.

The following shows the revenues, results and total assets by reportable segment in the year to 31 March 2022:

	Foundry operations £000	Machining operations £000	Elimination £000	Total £000
Revenue from external customers	145,601	2,982	—	148,583
Inter-segmental revenue	17,037	19,488	—	36,525
Segmental result	13,084	(894)	(50)	12,140
Unallocated costs:				
Exceptional credit for recovery of Icelandic bank deposits previously written off				6
Defined benefit pension cost				(119)
Finance income				47
Profit before income tax				12,074
Total assets	148,554	26,741	(10,101)	165,194
Non-current asset additions	3,388	991	—	4,379
Depreciation	4,790	3,811	—	8,601
Total liabilities	(31,561)	(6,977)	4,842	(33,696)

All non-current assets are based in the United Kingdom.

	2023 £000	2022 £000
The geographical analysis of revenues by destination for the year is as follows:		
United Kingdom	34,519	31,319
Sweden	55,107	38,809
Germany	32,292	20,506
Netherlands	31,763	19,907
Rest of Europe	31,810	26,050
North and South America	14,322	11,294
Other	1,177	698
	200,990	148,583

All revenue arises in the United Kingdom from the group's continuing activities.

Information about major customers

Included in revenues arising from Foundry operations are revenues of approximately £49,835,000, £29,374,000 and £22,229,000 from three ultimate customer groups (2022 – £34,435,000, £21,778,000 and £18,037,000 respectively).

3 Net operating costs

	2023 £000	2022 £000
Raw materials and consumables	51,835	40,960
Changes in inventories of finished goods and work in progress	1,257	(5,279)
Staff costs (note 4)	56,517	48,582
Depreciation of property, plant and equipment	8,646	8,601
Light, heat and power	25,937	11,069
Outside processing	18,096	14,845
Carriage	5,440	3,411
Repairs and maintenance	7,735	6,764
Loss on disposal of property, plant and equipment	—	62
Other costs	9,158	7,541
Total cost of sales, distribution costs and administrative expenses	184,621	136,556

Notes to the Consolidated Financial Statements

continued

3 Net operating costs continued

During the year the group obtained the following services from the company's auditor:

	2023 £000	2022 £000
Fees payable to the company's auditor for the audit of the parent company and group financial statements	76	67
Fees payable to the company's auditor for other services – the audit of the company's subsidiaries	54	48

4 Employee information

	2023	2022
Average monthly number of employees during the year was:		
Production	1,074	1,050
Management and administration	128	117
	1,202	1,167

	2023 £000	2022 £000
Staff costs (including directors) comprise:		
Wages and salaries	49,277	42,562
Social security costs	5,530	4,445
Other pension costs – defined contribution plans	1,593	1,456
Other pension costs – defined benefit plans (note 5)	117	119
	56,517	48,582

The directors represent the key management personnel. Details of their compensation are given in the Directors' Remuneration Report on page 30.

5 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay, which are closed to new entrants and were closed to future accruals on 6 April 2009. The assets are independent of the finances of the group and are administered by Trustees. The Trustee board is appointed by both the company and the members of the schemes and acts in the interest of the schemes and all relevant stakeholders, including the members and the company. The Trustees are responsible for the investment of the assets of the schemes.

The latest actuarial valuation was performed with an effective date of 6 April 2020 using the defined accrued benefit method. It assumed that the rate of return on investments was 0.3% per annum for pre-retirement and 0.6% for post-retirement and price inflation was 2.8% under RPI and 2.0% under CPI. The demographic assumptions were based on S3PA (YoB) tables with an age rating of -1 year and -2 year being applied to the tables for shop floor and staff schemes respectively. The future mortality improvements were based on CMI 2020 projections with a 1.75% per annum long-term improvement rate. The next actuarial valuation due will be with an effective date of 6 April 2023.

In order to help optimise the return on assets held by the pension schemes, the pension payments and administration costs incurred by the schemes are paid by the company. The net amount due from the schemes (being pension payments made plus administrative costs less repayments received from the schemes) are subject to repayment to the company and recorded as amounts receivable from pension schemes in the group and company financial statements (notes 13 and 9 respectively). The amounts are recorded as payables by the schemes and shown as a reduction to asset values in the pension disclosures set out below.

The pension schemes are related parties of the company and during the year £2,120,000 (2022 – £2,114,000) was paid by the company on behalf of the schemes in respect of pension payments and administration costs. There are no funding arrangements in place that would impact on future contributions and no contributions are expected to be made in the next financial year. The pension schemes made repayments to the company during the year of £2,114,000 (2022 – £2,496,000). At 31 March 2023 the outstanding balance due from the schemes to the company was £2,120,000 (2022 – £2,114,000) as set out in note 13. In addition, the group made contributions to individual members' Group Personal Pension Plans during the year.

Related risks

Through its defined benefit pension plans, the group was exposed to a number of risks that are inherent in such plans and arrangements. The main risks are summarised below and there are no unusual, entity-specific or plan-specific risks and no significant concentration risks:

- asset value volatility, with the associated impact on the assets held in connection with the funding of pension obligations and the related cash flows;
- changes in bond yields, with any reduction resulting in an increase in the present value of pension obligations, mitigated by an increase in the value of some of the plan assets;
- inflation, as pension obligations are linked to inflation; and
- life expectancy, as pension benefits are generally provided for the life of beneficiaries and their dependants.

Composition of the schemes

The group operates defined benefit schemes (in addition to a defined contribution scheme) in the UK. Full actuarial valuations of the defined benefit schemes were carried out at 6 April 2020 and updated to 31 March 2023 using the projected unit method by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2023	2022
Rate of increase of pensions in payment	2.6%	3.1%
Discount rate	4.9%	2.8%
Inflation assumption (RPI)	3.2%	3.7%
Inflation assumption (CPI)	2.8%	3.3%
	2023	2022
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	50,947	61,962
Past service cost	—	—
Interest cost on defined benefit obligation	1,383	1,265
Actuarial gains arising from changes in financial assumptions	(13,645)	(4,641)
Actuarial gains arising from changes in demographic assumptions	—	(3,643)
Other experience losses/(gains)	2,343	(561)
Benefits paid	(3,104)	(3,435)
Benefit obligation at end of year	37,924	50,947
Change in plan assets		
Fair value of plan assets at beginning of year	60,879	71,942
Interest income on plan assets	1,660	1,474
Return on plan assets less than discount rate	(10,981)	(8,983)
Administrative expenses	(117)	(119)
Benefits paid	(3,104)	(3,435)
Fair value of plan assets at end of year	48,337	60,879
Surplus	10,413	9,932
Unrecognised pension surplus (asset ceiling)	(10,413)	(9,932)
Net amount recognised in the balance sheet	—	—

Notes to the Consolidated Financial Statements

continued

5 Pensions continued

The pension surplus has not been recognised as the group does not have an unconditional right to receive returns of contributions or refunds under the scheme rules.

	Year to 31 March 2023 £000	Year to 31 March 2022 £000
Components of pension cost		
Current service cost	—	—
Past service cost	—	—
Interest cost on defined benefit obligation	1,383	1,265
Interest income on plan assets	(1,660)	(1,474)
Interest expense on effect of asset ceiling on unrecognised surplus	277	209
Administrative expenses	117	119
Total pension cost recognised within administrative expenses (note 4)	117	119
Gain arising from changes in financial assumptions	(13,645)	(4,641)
Gain arising from changes in demographic assumptions	—	(3,643)
Experience loss/(gain)	2,343	(561)
Return on plan assets less than discount rate	10,981	8,983
Changes in asset ceiling on unrecognised surplus	204	(257)
Pension gain shown in statement of comprehensive income	(117)	(119)
Total defined benefit cost recognised in the year	—	—

Defined benefit obligation by participant category

	31 March 2023 £000	31 March 2022 £000
Participant category		
Active participants	—	—
Deferred participants	16,842	24,714
Pensioners	21,082	26,233
	37,924	50,947

Scheme assets

Investments of the defined benefit schemes are diversified, such that failure of any single investment would not have a material impact on the overall level of assets. On 24 March 2020, the Trustees of the schemes completed a bulk annuity insurance buy-in with Aviva Life & Pensions UK Limited ('Aviva') thus providing certainty and security for all members of the schemes. The buy-in secures an insurance asset from Aviva that fully matches, subject to final price adjustment of the bulk annuity pricing, the remaining pension liabilities of the schemes (excluding those relating to GMP equalisation). The buy-in covers the investment, longevity, interest rate and inflation risks in respect of the schemes and therefore substantially reduces the pension risk to the company. The asset allocations at the year end were as follows:

	Plan assets at 31 March 2023 £000	Plan assets at 31 March 2022 £000
Assets category		
Cash and cash equivalents	13,457	13,285
Asset held by insurance company	37,000	49,708
	50,457	62,993
Amounts repayable to the group	(2,120)	(2,114)
	48,337	60,879

In determining the appropriate discount rate, the company considers the interest rates of corporate bonds with at least an 'AA' rating.

The projected pension cost for the year ending 31 March 2024 is £121,000.

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

	2023		2022	
	Male Staff/ Shopfloor	Female Staff/ Shopfloor	Male Staff/ Shopfloor	Female Staff/ Shopfloor
Scheme member age 65 (current life expectancy)	23.2/22.3	25.8/24.9	23.1/22.2	25.7/24.8
Scheme member age 45 (life expectancy at age 65)	24.8/24.0	27.5/26.6	24.7/23.8	27.4/26.5

* Mortality tables 102% for Males and 99% for Females of S3PA CMI 2020 projections with a 1.5% long-term rate of improvement have been used for both schemes, with a -1 age rating applied for the staff scheme.

Sensitivities

The calculations of the defined benefit obligations are sensitive to the assumptions set out on pages 48 to 51. The following table sets out the estimated impact of a change in the assumptions on the defined benefit obligation at 31 March 2023, whilst holding all other assumptions constant. The sensitivity analysis may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of another as some of the assumptions may be correlated.

	31 March 2023 £000
Defined benefit obligation as a result of:	
Reduction in the discount rate of 0.25%	39,034
Increase in inflation of 0.25%	38,624
One year increase in life expectancy	39,061

Maturity profile of defined benefit obligation

	31 March 2023 £000	31 March 2022 £000
Expected benefit payments during:		
Year 1	1,991	1,951
Year 2	2,035	1,992
Year 3	2,154	2,035
Year 4	2,314	2,154
Year 5	2,399	2,314
Years 6–10	13,414	12,968

The maturity profile shown above is not the full maturity profile but that of the next ten years, based on an analysis of the present value of the defined benefit obligation.

The weighted average duration of the defined benefit obligation of the schemes is 13 years.

Notes to the Consolidated Financial Statements

continued

6 Finance income

	2023 £000	2022 £000
Interest on short-term deposits	327	28
Income from listed investments	17	19
	344	47

7 Income tax expense

	2023 £000	2022 £000
Corporation tax based on a rate of 19% (2022 – 19%)		
UK corporation tax		
Current tax on profits for the year	2,500	2,050
Adjustments to tax charge in respect of prior years	(87)	(155)
	2,413	1,895
Deferred tax		
Current year origination and reversal of temporary differences	935	624
Adjustment to deferred tax charge in respect of prior years	(425)	(107)
Adjustment to deferred tax charge in respect of change in tax rate	–	1,100
	510	1,627
Taxation on profit	2,923	3,522
Profit before income tax	16,713	12,074
Tax on profit at the standard rate of corporation tax in the UK of 19% (2022 – 19%)	3,175	2,294
Effect of:		
Expenses not deductible for tax purposes	238	357
Adjustment to tax charge in respect of prior years	(87)	(155)
Adjustment to deferred tax charge in respect of prior years	(425)	(107)
Adjustment to deferred tax charge in respect of change in tax rate	–	1,110
Pension adjustments	22	23
Total tax charge for the year	2,923	3,522
Effective rate of tax (%)	17.5	29.2

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 24 May 2021, the applicable main rate increasing from the current level of 19% to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8 Dividends

	2023 £000	2022 £000
Final paid of 12.57p per share for the year ended 31 March 2022 (2021 – 11.69p)	5,475	5,101
Interim paid of 3.84p per share (2022 – 3.66p)	1,673	1,597
Supplementary dividend of 15.00p per share for the year ended 31 March 2022 (2021 – nil)	6,534	–
	13,682	6,698

The directors are proposing a final dividend of 13.51 pence (2022 – 12.57 pence) per share totalling £5,884,695 (2022 – £5,475,249). In addition, the directors have declared a supplementary dividend of 15.00 pence per share, totalling £6,533,710. These dividends have not been accrued at the balance sheet date.

9 Earnings per share and diluted earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023	2022
Profit after taxation (£000)	13,790	8,552
Weighted average number of shares – basic calculation	43,561,593	43,631,545
Earnings per share – basic calculation (pence per share)	31.66p	19.60p
Number of dilutive share options in issue	109,909	67,441
Weighted average number of shares – diluted calculation	43,671,502	43,698,986
Earnings per share – diluted calculation (pence per share)	31.58p	19.57p

10 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2022	40,110	155,596	195,706
Additions during the year	437	5,761	6,198
Disposals	—	(961)	(961)
Other	410	—	410
At 31 March 2023	40,957	160,396	201,353
Accumulated depreciation			
At 1 April 2022	12,295	120,610	132,905
Charge for year	1,015	7,631	8,646
Disposals	—	(961)	(961)
Other	410	—	410
At 31 March 2023	13,720	127,280	141,000
Net book values			
At 31 March 2023	27,237	33,116	60,353
At 31 March 2022	27,815	34,986	62,801
Cost			
At 1 April 2021	40,357	151,831	192,188
Additions during the year	163	4,216	4,379
Disposals	(410)	(451)	(861)
At 31 March 2022	40,110	155,596	195,706
Accumulated depreciation			
At 1 April 2021	11,632	113,444	125,076
Charge for year	1,073	7,528	8,601
Disposals	(410)	(362)	(772)
At 31 March 2022	12,295	120,610	132,905
Net book values			
At 31 March 2022	27,815	34,986	62,801
At 31 March 2021	28,725	38,387	67,112

The net book value of land and buildings includes £2,169,000 (2022 – £2,169,000) for land which is not depreciated.

Included within plant and equipment are assets in the course of construction with a net book value of £385,000 (2022 – £1,043,000) which are not depreciated.

Notes to the Consolidated Financial Statements

continued

11 Financial assets

	2023 £000	2022 £000
Financial assets at FVOCI	356	396
	2023 £000	2022 £000
At 1 April 2022	396	308
Net (losses)/gains recognised in other comprehensive income	(40)	88
At 31 March 2023	356	396

Financial assets at fair value through other comprehensive income (FVOCI) are UK quoted equity securities and are denominated in sterling. The fair value of the securities is based on published quoted prices in an active market.

The cumulative fair value gains and losses which are undistributable and held within retained earnings totalled £199,000 (2022 – £239,000).

12 Inventories

	2023 £000	2022 £000
Raw materials	8,464	7,001
Work in progress	9,598	8,893
Finished goods	8,033	9,995
	26,095	25,889

Inventories are net of impairment provisions of £855,073 (2022 – £759,000). The cost of inventories recognised as an expense is £51,835,000 (2022 – £40,960,000).

13 Trade and other receivables

	2023 £000	2022 £000
Due within one year:		
Trade receivables	40,810	30,779
Other receivables	3,587	2,090
Receivable from pension schemes (see note 5)	2,120	2,114
Prepayments	4,563	4,891
	51,080	39,874

14 Trade and other payables

	2023 £000	2022 £000
Current trade and other payables:		
Trade payables	24,680	18,186
Social security	2,535	1,958
Other payables	959	959
Accruals	8,877	7,374
	37,051	28,477

Included within accruals is a warranty provision that is not material to the financial statements.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in future years of 25% (2022 – 25%). The movement on the deferred tax account is shown below:

Deferred tax – net

	2023 £000	2022 £000
At 1 April 2022	5,219	3,570
(Credited)/charged to other comprehensive income	(10)	22
Charged to profit	510	1,627
At 31 March 2023	5,719	5,219

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

Deferred tax – liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2022	5,230	(11)	5,219
Charged/(credited) to profit	522	(12)	510
Credited to other comprehensive income	–	(10)	(10)
At 31 March 2023	5,752	(33)	5,719

Of the deferred tax liabilities, £836,000 (2022 – £903,000) is expected to be recovered within 12 months with £4,883,000 (2022 – £4,316,000) expected to be recovered after more than 12 months.

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

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2021	3,590	(20)	3,570
Charged/(credited) to profit	1,640	(13)	1,627
Charged to other comprehensive income	–	22	22
At 31 March 2022	5,230	(11)	5,219

The deferred tax (credited)/charged to other comprehensive income during the year is as follows:

	2023 £000	2022 £000
Tax on change in fair value of financial assets	(10)	22
Tax on items taken directly to other comprehensive income	(10)	22

16 Share capital

	2023 £000	2022 £000
Authorised 50,000,000 10p ordinary shares	5,000	5,000
Allotted and fully paid 43,632,068 10p ordinary shares	4,363	4,363

The group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital, the group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. Each share entitles the holder to receive the amount of dividends per share declared by the company and a vote at any meetings of the company.

In order to achieve this objective, the group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy or new share issues, the group considers not only its short-term position but also its long-term operational and strategic objectives.

Notes to the Consolidated Financial Statements

continued

17 Share-based payments

The company operates the Castings 2020 Restricted Share Plan under which nil-cost options have been granted to executive directors. The options vest three years after the grant date and are subject to continued employment with the group. The options are also subject to a two year holding period during which the participant shall be entitled to additional benefit (in cash or shares) in respect of dividends paid in that period.

	2023	2022
At 1 April	67,441	35,292
Granted during the year	42,468	32,149
Exercised or expired during the year	—	—
At 31 March	109,909	67,441
Average fair value of share awards granted during the year at date of grant (pence)	322.8	400.4
Fair value of awards granted during the year (£)	137,086	128,719

The options were all granted on 30 June 2022 at a fair value of £3.228 per option, being the average of the closing market price of the shares for the previous five business days.

The group recognised a total charge to the consolidated income statement of £119,000 (2022 – £74,000) in respect of equity-settled share-based payment transactions.

18 Commitments and contingencies

	2023	2022
	£000	£000
Capital commitments contracted for by the group but not provided for in the financial statements	1,799	1,637

As set out on page 9, the group does not insure against the potential cost of product warranty or recall. Accordingly, there is always the possibility of claims against the group for quality related issues on parts supplied to customers. As at 31 March 2023, the directors do not consider any significant liability will arise in respect of any such claims (2022 – £nil).

19 Related party transactions

The group has a related party relationship with its directors; details of salaries and other benefits paid to directors are disclosed in the Directors' Remuneration Report on pages 27 to 32.

Transactions with the group's pension schemes and balances owed to the company by the schemes are disclosed in note 5.

Controlling party

The company's shares are listed on the London Stock Exchange's Regulated Market (Premium Listing) and are widely held. There is no one controlling party or group of related parties who have control of the group.

20 Financial instrument risk exposure and management

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

Principal financial instruments

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

- Trade receivables
- Other receivables
- Cash at bank
- Other interest-bearing deposits
- Trade and other payables

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Categories of financial assets and financial liabilities

	Financial assets	
	2023	2022
	£000	£000
Financial assets measured at amortised cost		
Trade receivables	40,810	30,779
Other receivables	5,707	4,204
Cash and cash equivalents	35,566	35,745
Total current financial assets	82,083	70,728
Non-current financial assets		
Financial assets at fair value through other comprehensive income	356	396
Total non-current financial assets	356	396
Total financial assets	82,439	71,124

The maximum exposure to credit risks is detailed in the above table, being the total financial assets excluding those at fair value through other comprehensive income.

	Financial liabilities measured at amortised cost	
	2023	2022
	£000	£000
Current financial liabilities		
Trade payables	24,680	18,186
Other payables	959	959
Accruals	8,877	7,374
Total current financial liabilities	34,516	26,519

Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. As at 31 March 2023, trade receivables of £39,513,000 (2022 – £28,539,000) were not past due.

Apart from the largest customers set out in note 2, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, being related entities. Concentration of credit risk to the direct customers included in note 2 did not exceed 28% of trade receivables at any time during the year. Concentration of credit risk to any other counterparty did not exceed 8% of trade receivables at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables

Credit risk is managed locally by the management of each subsidiary. Prior to accepting new customers, credit checks are obtained from a reputable external source (e.g. Creditsafe) and trade references are taken up.

Based on this information, credit limits and payment terms are established, although for some large customers and contracts, credit risk is not considered to be high risk, and credit limits can sometimes be exceeded. These exceeded accounts are closely monitored and if there is a concern over recoverability accounts are put on stop and no further goods will be sold before receiving payment. Proforma invoicing is sometimes used for new customers, or customers with a poor payment history, until creditworthiness can be proven or re-established.

Notes to the Consolidated Financial Statements

continued

20 Financial instrument risk exposure and management continued

Management teams at each subsidiary receive regular ageing reports, and these are used to chase relevant customers for outstanding balances. Impairment provisions are made against trade receivables when there is no reasonable expectation of recovery based upon objective evidence. Impairment provisions are also recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk and the days past due. The expected loss rates are based on the payment profiles and historical credit losses experience over a three year period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

No major renegotiation of terms has taken place during the year.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates. The credit quality of trade receivables that are neither past due nor impaired are all assessed to be virtually fully recoverable (2022 – virtually fully recoverable).

At 31 March 2023 trade receivables of £1,297,000 (2022 – £2,240,000) were past due but not impaired. They relate to customers with no default history. The ageing of these receivables is as follows:

	2023 £000	2022 £000
30–60 days	242	324
60–90 days	624	553
90+ days	431	1,363
	1,297	2,240

The group records impairment losses on its trade receivables (including an impairment provision for trade receivables not past due) separately from gross receivables. The movements on this allowance account during the year are summarised below:

	2023 £000	2022 £000
Opening balance	447	486
Increase/(decrease) in provisions	137	(35)
Written off against provisions	–	(4)
Closing balance	584	447

Impairment losses on trade receivables of £137,000 (2022 – credit of £39,000) were recognised in administrative expenses.

Liquidity risk

Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, it seeks to maintain sufficient cash balances on instant access deposits. The cash position is continuously monitored to ensure that there is sufficient cash and that the optimum interest rate is obtained.

Based on projected cash flows, the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Market risk

Market risk arises from the group's use of interest-bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Where the group has generated a significant amount of surplus cash it will invest in term deposits if liquidity risk is not unduly compromised. Whilst a review of credit ratings is performed for each counterparty, there will always remain an element of risk over deposits. The directors believe that the exposure to market price risk from these activities is acceptable in the group's circumstances.

Interest rate and currency risk

The group does not have any financial liabilities subject to interest rate risk at the balance sheet date (2022 – £nil).

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. It is the group's policy to convert all non-functional currency to sterling at the first opportunity after allowing for similar functional currency outlays. It does not consider the use of hedging facilities would significantly minimise this risk. At the balance sheet date the group did not have any forward contracts in place to sell foreign currency (2022 – £nil).

At the balance sheet date foreign exchange facilities of £1.9 million (2022 – £1.9 million) were unused and available to the group to enable it to enter into forward exchange contracts.

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

	Floating rate assets 2023 £000	Fixed rate assets 2023 £000	Interest-free assets 2023 £000	Total 2023 £000
Sterling	–	34,497	38,817	73,314
US\$	404	–	2,934	3,338
Euro	665	–	5,122	5,787
	1,069	34,497	46,873	82,439

	Floating rate assets 2022 £000	Fixed rate assets 2022 £000	Interest-free assets 2022 £000	Total 2022 £000
Sterling	0	34,743	29,679	64,422
US\$	73	–	2,023	2,096
Euro	928	–	3,678	4,606
	1,001	34,743	35,380	71,124

	Interest-free liabilities 2023 £000	Interest-free liabilities 2022 £000
Sterling	33,620	25,999
US\$	77	75
Euro	819	445
	34,516	26,519

Fixed rate assets attracted interest rates of between 1.0% and 4.2% (2022 – 0.05% and 0.75%) on sterling deposits.

Floating rate assets consisted of overnight cash at bank at nominal interest rates.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits on call with banks and short-term deposits that have fixed interest rates and original maturities of three months or less on inception.

The effect of a +25/(25) increase/(decrease) in basis points with all other variables held constant would have the effect of increasing/(decreasing) profit before tax by £83,000/(£83,000) (2022 – £84,000/(£84,000)).

The group believes that movements on exchange rates of +/-5% could be possible, the effect of which is that profit before tax would (decrease)/increase by (£244,000)/£270,000 (2022 – (£175,000)/£194,000).

Fair value

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

Assets measured at fair value through other comprehensive income are classified as level 1 financial instruments with fair value being based on the quoted market price of the asset.

Five Year Financial History – unaudited

For the years ended 31 March	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Trading results					
Revenue	200,990	148,583	114,702	138,667	150,236
Profit before tax	16,713	12,074	4,987	12,700	14,050
Profit after tax	13,790	8,552	4,149	10,066	11,010
Dividends paid	13,682	6,698	6,532	13,037	6,327
Balance sheet summary					
Equity					
Share capital	4,363	4,363	4,363	4,363	4,363
Reserves	127,297	127,135	125,101	127,295	130,026
Total equity	131,660	131,498	129,464	131,658	134,389
Assets					
Property, plant and equipment	60,353	62,801	67,112	70,693	71,438
Financial assets	356	396	308	358	380
	60,709	63,197	67,420	71,051	71,818
Current assets	113,721	101,997	90,169	84,629	92,116
Total liabilities	(42,770)	(33,696)	(28,125)	(24,022)	(29,545)
Net assets	131,660	131,498	129,464	131,658	134,389
Dividends and earnings					
Pence per share declared (excluding special)	17.35	16.23	15.26	14.88	14.78
Number of times covered (dividend paid, excluding special)	1.9	1.3	0.6	1.6	1.7
Earnings per share – basic	31.66p	19.60p	9.51p	23.07p	25.23p
Earnings per share – diluted	31.58p	19.57p	9.50p	23.07p	25.23p

Parent Company Balance Sheet

as at 31 March 2023

	Notes	2023 £000	2022 £000
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,428	21,394
Investments	6	4,995	4,995
Financial assets	7	356	396
		26,779	26,785
Current assets			
Inventories	8	17,205	17,630
Trade and other receivables	9	38,157	27,394
Current tax asset		129	—
Cash and cash equivalents		29,239	30,878
		84,730	75,902
Total assets		111,509	102,687
LIABILITIES			
Current liabilities			
Trade and other payables	10	25,725	16,435
Current tax liabilities		—	39
		25,725	16,474
Non-current liabilities			
Deferred tax liabilities	12	1,326	1,131
Total liabilities		27,051	17,605
Net assets		84,458	85,082
Equity attributable to the equity holders of the company			
Share capital	13	4,363	4,363
Share premium account		874	874
Treasury shares		(231)	(79)
Other reserve		13	13
Retained earnings		79,439	79,911
Total shareholders' funds		84,458	85,082

The company's profit for the financial year was £13,121,000 (2022 – £11,949,000).

The parent company financial statements on pages 61 to 68 were approved and authorised for issue by the board of directors on 14 June 2023, and were signed on its behalf by:

A. N. Jones
Chairman

S. J. Mant
Finance Director

Notes to the parent company financial statements are on pages 63 to 68.

Registered number – 91580.

Parent Company Statement of Changes in Equity

for the year ended 31 March 2023

	Equity attributable to equity holders of the parent					
	Share capital ^{a)}	Share premium ^{b)}	Treasury shares ^{c)}	Other reserve ^{d)}	Retained earnings ^{e)}	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2022	4,363	874	(79)	13	79,911	85,082
Profit for the year	—	—	—	—	13,121	13,121
Other comprehensive income/(losses):						
Change in fair value of financial assets	—	—	—	—	(40)	(40)
Tax effect of items taken directly to reserves	—	—	—	—	10	10
Total comprehensive income for the year	—	—	—	—	13,091	13,091
Shares acquired in the year	—	—	(152)	—	—	(152)
Equity-settled share-based payments	—	—	—	—	119	119
Dividends (see note 4)	—	—	—	—	(13,682)	(13,682)
At 31 March 2023	4,363	874	(231)	13	79,439	84,458

	Equity attributable to equity holders of the parent					
	Share capital ^{a)}	Share premium ^{b)}	Treasury shares ^{c)}	Other reserve ^{d)}	Retained earnings ^{e)}	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2021	4,363	874	—	13	74,520	79,770
Profit for the year	—	—	—	—	11,949	11,949
Other comprehensive income/(losses):						
Change in fair value of financial assets	—	—	—	—	88	88
Tax effect of items taken directly to reserves	—	—	—	—	(22)	(22)
Total comprehensive income for the year	—	—	—	—	12,015	12,015
Shares acquired in the year	—	—	(79)	—	—	(79)
Equity-settled share-based payments	—	—	—	—	74	74
Dividends (see note 4)	—	—	—	—	(6,698)	(6,698)
At 31 March 2022	4,363	874	(79)	13	79,911	85,082

a) Share capital – The nominal value of allotted and fully paid up ordinary share capital in issue.

b) Share premium – Amount subscribed for share capital in excess of nominal value.

c) Treasury shares – Value of shares acquired by the company.

d) Other reserve – Amounts transferred from share capital on redemption of issued shares.

e) Retained earnings – Cumulative net gains and losses recognised in the statement of comprehensive income.

Notes to the Parent Company Financial Statements

The Directors' Report is on pages 21 to 23 of the Annual Report and Financial Statements

1 Accounting policies

General information

Castings Public Limited Company (the 'company', 'Castings P.L.C.') is incorporated and domiciled in the United Kingdom and registered in England as a public company limited by shares. The company's registered office is at Lichfield Road, Brownhills, West Midlands, WS8 6JZ, United Kingdom. The company's ordinary shares are traded on the London Stock Exchange's Regulated Market (Premium Listing). There has been no change in this information since the Annual Report for the year ended 31 March 2022.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with the Companies Act 2006. As permitted by FRS 101, the company has taken advantage of certain disclosure exemptions available under that standard and, therefore, these financial statements do not include:

- certain comparative information otherwise required;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by the company.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the group financial statements. Therefore, these financial statements do not include certain disclosures in respect of business combinations, financial instruments (other than certain disclosures required as a result of recording instruments at fair value), impairment of assets and pension schemes.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from the sale of goods relates to the sale of castings. Revenue from the sale of services relates to machining and minor assembly work performed on a subcontract basis for external customers. Revenue is recognised once the performance obligation has been met. This is deemed to be when the goods and services have been collected by, or delivered to, the customer in accordance with the agreed delivery terms.

Post-retirement benefits

Two of the company's pension plans are of a defined benefit type. Under IAS 19 Employee Benefits the employer's portion of the current service costs and curtailment gains are charged to operating profit for these plans, with the net interest also being charged/credited to operating profit subject to the asset ceiling. Actuarial gains and losses are recognised in other comprehensive income and the balance sheet reflects the schemes' surplus or deficit at the balance sheet date. A full valuation is carried out triennially using the projected unit credit method. Where the company cannot benefit from a scheme surplus in the form of refunds from the plans or reductions in future contributions, any asset resulting from the above policy is restricted accordingly. Payments to the defined contribution scheme are charged to the consolidated statement of comprehensive income as they become payable.

Property, plant and equipment

Property, plant and equipment assets are held at cost less accumulated depreciation. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, on a straight-line basis. The periods of write-off used are as follows:

- i. Freehold buildings over 50 years.
- ii. Plant and equipment over a period of 3 to 15 years.

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 21 to 23 of the Annual Report and Financial Statements

1 Accounting policies continued

Foreign currencies

Assets and liabilities in foreign currencies are translated at the spot rates 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 are dealt with through the statement of comprehensive income.

Financial instruments

a) Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company's accounting policy for each category is as follows:

Fair value through other comprehensive income

Fair value through other comprehensive income financial assets comprise the group's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised in other comprehensive income. The cumulative fair value gains and losses are held within retained earnings and are not treated as distributable. Fair value is determined with reference to published quoted prices in an active market.

Amortised cost

These assets are held in order to collect contractual cash flows, on specific dates, which are solely payments of the principal and interest on the principal amount outstanding. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks and building societies, but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. Where specific receivables are known to be 'bad' or it becomes apparent that payment is 'doubtful' then a credit loss allowance of 100% is applied. Such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the deposit or receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

b) Financial liabilities

The company classifies its financial liabilities into liabilities measured at amortised cost. Although the company uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions and the amounts are not material.

Financial liabilities measured at amortised cost

Financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value is calculated by discounting estimated future cash flows using a market rate of interest.

c) Share capital

The company's ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares and any share premium attaching to the shares.

Current and deferred tax

Deferred tax is provided using the liability method. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Current tax is provided for on the taxable profits of each company in the group, using current tax rates and legislation that has been enacted or substantively enacted by the balance sheet date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Share-based payments

The cost of equity-settled transactions with employees of the company is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service conditions are met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service conditions at the vesting date.

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually.

Critical accounting estimates and judgements

The company makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out on page 46 of the group financial statements.

2 Company profit and loss account

Castings P.L.C. has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The company's profit for the financial year was £13,121,000 (2022 – £11,949,000).

The profit and loss account includes £76,000 (2022 – £67,000) for audit fees.

The cost of inventories recognised as an expense during the year was £18,410,000 (2022 – £12,299,000).

3 Employee information

	2023	2022
Average monthly number of employees during the year was:		
Production	367	359
Management and administration	26	27
	393	386
	2023	2022
	£000	£000
Staff costs (including directors) comprise:		
Wages and salaries	18,550	16,593
Social security costs	2,180	1,794
Other pension costs	662	646
	21,392	19,033

The directors represent the key management personnel. Details of their compensation are given in the Directors' Remuneration Report on page 30.

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 21 to 23 of the Annual Report and Financial Statements

4 Dividends

	2023 £000	2022 £000
Final paid of 12.57p per share for the year ended 31 March 2022 (2021 – 11.69p)	5,475	5,101
Interim paid of 3.84p per share (2022 – 3.66p)	1,673	1,597
Supplementary dividend of 15.00p per share for the year ended 31 March 2022 (2021 - nil)	6,534	—
	13,682	6,698

The directors are proposing a final dividend of 13.51 pence (2022 – 12.57 pence) per share totalling £5,884,695 (2022 – £5,475,249). In addition, the directors have declared a supplementary dividend of 15.00 pence per share, totalling £6,533,710. These dividends have not been accrued at the balance sheet date.

5 Property, plant and equipment

	Freehold and leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2022	21,347	35,470	56,817
Additions during year	395	1,510	1,905
Disposals	—	(358)	(358)
At 31 March 2023	21,742	36,622	58,364
Accumulated depreciation			
At 1 April 2022	5,233	30,190	35,423
Charge for year	395	1,476	1,871
Disposals	—	(358)	(358)
At 31 March 2023	5,628	31,308	36,936
Net book values			
At 31 March 2023	16,114	5,314	21,428
At 31 March 2022	16,114	5,281	21,394

The net book value of land and buildings includes £1,768,000 (2022 – £1,768,000) for land which is not depreciated. Included within plant and other equipment are assets in the course of construction with a net book value of £nil (2022 – £136,000) which are not depreciated.

6 Investments

	2023 £000	2022 £000
Subsidiary companies		
At cost	4,995	4,995
	4,995	4,995
	2023 £000	2022 £000
At 1 April 2022	4,995	4,995
Impairment losses	—	—
At 31 March 2023	4,995	4,995

The company owns 100% of the issued share capital of William Lee Limited, CNC Speedwell Limited, W. H. Booth & Co. Limited and Castings Property Limited, companies which operate in the United Kingdom. William Lee Limited supplies spheroidal graphite iron castings and CNC Speedwell Limited is a machinist operation. W. H. Booth & Co. Limited and Castings Property Limited do not trade and are dormant. The registered office of William Lee Limited is Callywhite Lane, Dronfield, Sheffield, S18 2XU. The registered office for all other subsidiaries is Lichfield Road, Brownhills, West Midlands, WS8 6JZ.

7 Financial assets

	2023 £000	2022 £000
Financial assets at FVOCI	356	396
	2023 £000	2022 £000
At 1 April 2022	396	308
Net (losses)/gains recognised in other comprehensive income	(40)	88
At 31 March 2023	356	396

Financial assets at fair value through other comprehensive income (FVOCI) are UK quoted equity securities and are denominated in sterling. The fair value of the securities is based on published quoted prices in an active market.

The cumulative fair value gains and losses which are undistributable and held within retained earnings totalled £199,000 (2022 – £239,000).

8 Inventories

	2023 £000	2022 £000
Raw materials	4,410	3,934
Work in progress	5,492	4,733
Finished goods	7,303	8,963
	17,205	17,630

Inventories are net of impairment provisions of £378,000 (2022 – £241,000).

9 Trade and other receivables

	2023 £000	2022 £000
Due within one year:		
Trade receivables	31,033	21,836
Other receivables	2,083	1,623
Receivable from pension schemes (see note 5 of group financial statements)	2,120	2,114
Prepayments	2,921	1,821
	38,157	27,394

Trade receivables are net of impairment provisions of £353,000 (2022 – £203,000).

10 Trade and other payables

	2023 £000	2022 £000
Current trade and other payables		
Trade payables	13,143	8,844
Amounts owed to subsidiary companies	7,773	3,344
Social security	934	737
Other payables	392	360
Accruals	3,483	3,150
	25,725	16,435

Amounts owed to subsidiary companies are interest free and have no fixed repayment terms.

11 Share-based payments

The disclosures in respect of share-based payments are set out in note 17 of the group financial statements.

Notes to the Parent Company Financial Statements

continued

The Directors' Report is on pages 21 to 23 of the Annual Report and Financial Statements

12 Deferred tax liabilities

Deferred tax is calculated in full on temporary differences under the liability method using the large company tax rate applicable in future years of 25% (2022 – 25%). The movement on the deferred tax account is shown below:

Deferred tax liabilities

	2023 £000	2022 £000
At 1 April 2022	1,131	684
(Credited)/charged to other comprehensive income	(10)	22
Charged to profit	205	425
At 31 March 2023	1,326	1,131

The movement in deferred tax liabilities during the year is shown below:

Deferred tax liabilities

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2022	1,071	60	1,131
Charged to profit	205	—	205
Credited to other comprehensive income	—	(10)	(10)
At 31 March 2023	1,276	50	1,326

The movement in the deferred tax liabilities during the prior year is shown below:

	Accelerated tax depreciation £000	Other £000	Total £000
At 1 April 2021	656	28	684
Charged to profit	415	10	425
Charged to other comprehensive income	—	22	22
At 31 March 2022	1,071	60	1,131

The deferred tax charged/(credited) to other comprehensive income during the year is as follows:

	2023 £000	2022 £000
Tax on change in fair value of financial assets	(10)	22
Tax on items taken directly to other comprehensive income	(10)	22

13 Share capital

	2023 £000	2022 £000
Allotted and fully paid 43,632,068 (2022 – 43,632,068) 10p ordinary shares	4,363	4,363

14 Pensions

Castings P.L.C. has no contractual agreement or stated policy for charging its subsidiary entities for the net defined benefit cost on an IAS 19 Employee Benefits measurement basis. Legally, Castings P.L.C. is the sponsoring employer for the plan, so it recognises the full defined benefit cost or asset (where recoverable) in its financial statements. The last valuation was performed with the effective date of 6 April 2020. Further details of the schemes are contained in note 5 to the group financial statements.

15 Capital commitments and contingencies

	2023 £000	2022 £000
Authorised, but not provided in the financial statements	—	318

The company does not insure against the potential cost of product warranty or recall. Accordingly, there is always the possibility of claims against the company for quality-related issues on parts supplied to customers. As at 31 March 2023, the directors do not consider any significant liability will arise in respect of any such claims (2022 – £nil).

Notice of Meeting

Notice is hereby given that the one hundred and sixteenth Annual General Meeting of Castings P.L.C. (the 'company') will be held at Fairlawns Hotel & Spa, Little Aston Road, Aldridge, West Midlands, WS9 0NU on 15 August 2023 at 3.30 pm for the purposes set out below.

As ordinary business

- 1 To receive and adopt the Directors' Report and audited financial statements for the year ended 31 March 2023.
- 2 To declare a final dividend.
- 3 To re-elect A. N. Jones as a director.
- 4 To re-elect A. Vicary as a director.
- 5 To re-elect S. J. Mant as a director.
- 6 To re-elect A. K. Eastgate as a director.
- 7 To elect M. L. Smith as a director.
- 8 To approve the directors' remuneration policy.
- 9 To approve the Directors' Remuneration Report for the year ended 31 March 2023.
- 10 To reappoint Mazars LLP as auditors of the company at a fee to be agreed with the directors.

As special business

To consider and, if thought fit, pass the following resolutions, of which resolution 11 will be proposed as an ordinary resolution and resolutions 12 and 13 will be proposed as special resolutions.

The share capital consists of 43,632,068 ordinary shares with voting rights.

As ordinary resolutions

- 11 THAT:
- (a) the directors be and are hereby generally and unconditionally authorised in accordance with the Companies Act 2006 to exercise all the powers of the company to allot relevant securities provided that the aggregate nominal value of such securities shall not exceed £636,793, which represents approximately 14.6% of the current issued share capital of the company;
 - (b) the foregoing authority shall expire on 14 August 2028 save that the company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred had not expired;
 - (c) the foregoing authority shall be in substitution for the authorities given to the directors under the Companies Act 2006 on 16 August 2022, which authorities are accordingly hereby revoked; and
 - (d) this authority will be put to annual shareholder approval.

As special resolutions

- 12 THAT the directors be and are hereby empowered pursuant to the Companies Act 2006 to allot equity securities (within the meaning of that Act) for cash pursuant to the general authority conferred by the ordinary resolution numbered 11 set out in the notice convening this meeting as if 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, an aggregate nominal amount, or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal amount not exceeding £218,160, which represents approximately 5% of the current issued share capital of the company,

and shall expire at the conclusion of the next Annual General Meeting following the date of this resolution save that the company shall be entitled before such expiry to make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. In any three year period no more than 7.5% of the issued share capital will be issued on a pre-emptive basis.

Notice of Meeting

continued

13 THAT the company be and is hereby generally and unconditionally authorised for the purposes of the Companies Act 2006 to make one or more market purchases of any of its ordinary shares of 10p each (the 'ordinary shares'), provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,358,844, representing 9.99% of the issued share capital at 31 March 2023;
- (b) the minimum price which may be paid for each ordinary share is 10p, exclusive of the expenses of purchase;
- (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for the ordinary shares as derived from the Daily Official List of the London Stock Exchange Limited for the five business days immediately preceding the day of purchase;
- (d) unless previously revoked or varied, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the company following the date of this resolution, unless such authority is renewed on or prior to such date;
- (e) the company may, before the expiry of this authority, conclude a contract to purchase ordinary shares under this authority which will or may be executed wholly or partly after such expiry and may make a purchase of ordinary shares pursuant to any such contract, as if such authority had not expired.

The record date for payment of the final dividend is 21 July 2023. Assuming the final dividend is approved by the members, the dividend will be paid on 18 August 2023.

Information about the meeting can be found on the company's website (www.castings.plc.uk). The right to vote at the meeting is determined by reference to the register of members as it stands on 11 August 2023.

By order of the board

S. J. Mant

Company Secretary
Registered Office:
Lichfield Road, Brownhills,
West Midlands, WS8 6JZ
14 June 2023

Note 1 - Proxy voting:

Any member of the company entitled to attend and vote at this meeting may appoint one or more proxies, who need not also be a member, to attend and vote, on a poll, in their stead. The instrument appointing a proxy, including authority under which it is signed (or a notarially certified copy of such authority), must be deposited at the offices of the company's registrars: Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL, not less than 48 hours before the time appointed for the meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 3.30 pm on 11 August 2023. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Note 2 - Beneficial owners:

In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act.

Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members entered on the company's register of members at the close of business on the day which is two working days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the company's register of members at the close of business on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

Directors, Officers and Advisers

Directors

A. N. Jones, BA (Hons), FCA *Non-executive Chairman*
 A. Vicary, BEng, MSc, FICME *Chief Executive Officer*
 S. J. Mant, BCom (Hons) FCA *Finance Director*
 A. K. Eastgate, BA (Hons) *Senior Independent Non-executive*
 B. J. Cooke, AdvDipNFC, FICME *Non-executive*
 M. L. Smith, BA Econ (Hons), FCA *Non-executive*

Secretary and Registered Office

S. J. Mant, FCA
 Lichfield Road,
 Brownhills,
 West Midlands, WS8 6JZ
 Tel: 01543 374341
 Fax: 01543 377483
 Web: www.castings.plc.uk

Registrars

Link Group
 10th Floor,
 Central Square,
 29 Wellington Street,
 Leeds, LS1 4DL
 Tel: 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Mon – Fri)
 Email: shareholderenquiries@linkgroup.co.uk

Auditors

Mazars LLP
 Two Chamberlain Square,
 Birmingham, B3 3AX

Solicitors

Enoch Evans LLP
 St Paul's Chambers,
 6/9 Hatherton Road,
 Walsall,
 West Midlands, WS1 1XS

Pinsent Masons LLP
 55 Colmore Row,
 Birmingham, B3 2FG

Bankers

HSBC Bank plc
 49 Market Street,
 Lichfield,
 Staffordshire, WS13 6LB

Stockbrokers

Canaccord Genuity Limited
 88 Wood Street
 London
 EC2V 7QR

Zeus Capital Limited
 125 Old Broad Street
 London
 EC4N 1AR

Registered No. 91580

Shareholder Information

Capital gains tax

The official price of Castings P.L.C. ordinary shares on 31 March 1982, adjusted for bonus issues, was 4.92 pence.

Warning to shareholders

The following guidance has been issued by the Financial Conduct Authority:

Over the last year many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the then Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FCA before getting involved. You can check at <http://www.fca.org.uk/register/>
- The FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FCA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.
- If the calls persist, hang up.

More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/consumers/scams

Website

Castings P.L.C.'s website www.castings.plc.uk gives additional information on the group. Notwithstanding the references we make in this Annual Report to Castings P.L.C.'s website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.