

Castings P.L.C.

INTERIM MANAGEMENT REPORT

Six months ended 30 September 2016

Sales for the six months ended 30 September 2016 were £57.9 million (2015 – £65.0 million) with profit before tax of £7.08 million (2015 – £9.51 million).

At the Annual General Meeting in August we reported that we had seen a softening in demand from our main customers. This continued during the remainder of the period resulting in lower foundry sales volumes than the previous six months, although revenue continues to benefit from a greater mix of more complex machined parts.

In addition, the machining business has seen a significant reduction in revenue following the end of a major contract, as previously reported. The introduction of replacement work remains on course for 2017/18 onwards, but the pre-production costs associated with this work is impacting the current financial year.

Whilst we do not anticipate any significant further reductions in output, we do not expect to see any improvement for the remainder of the financial year.

An interim dividend of 3.38 pence per share has been declared and will be paid on 3 January 2017 to shareholders who are on the register at 25 November 2016.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

The directors consider that the principal risks and uncertainties remain substantially the same as those stated on pages 7 and 8 of the Annual Report for the year ended 31 March 2016. Since publication of the 2016 annual report, the UK vote to leave the European Union has created significant uncertainty about the near-term outlook and prospects for the UK economy. It is still too early to quantify or determine with certainty the impact on the group. The Board will continue to monitor developments, consider the impact on the group's businesses and take appropriate action to help mitigate any risks associated with the UK leaving the EU.

Director changes

Our Chief Executive, David Gawthorpe, has indicated that he wishes to retire at the end of this financial year ending 31 March 2017. In accordance with the group's succession planning, Adam Vicary, Managing Director of Castings Brownhills, will assume the role of Chief Executive thereafter.

Cautionary statement

This Interim Management Report ('IMR') has been prepared solely to provide additional information to shareholders to enable them to assess the group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose. This IMR contains certain forward-looking statements. These 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 but 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.

The group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

The IMR has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Castings P.L.C. and its subsidiary undertakings when viewed as a whole.

By order of the board

BRIAN J. COOKE

Chairman

11 November 2016

Castings P.L.C.

Lichfield Road

Brownhills

West Midlands

WS8 6JZ

Consolidated Statement of Comprehensive Income

For six months ended 30 September 2016

	Unaudited Half year to 30 September 2016 £'000	Unaudited Half year to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Revenue	57,863	64,962	132,448
Cost of sales	(43,567)	(48,091)	(98,431)
Gross profit	14,296	16,871	34,017
Distribution costs	(901)	(1,103)	(2,251)
Administrative expenses			
Excluding exceptional	(6,385)	(6,300)	(12,591)
Exceptional	—	—	315
Total administrative expenses	(6,385)	(6,300)	(12,276)
Profit from operations	7,010	9,468	19,490
Finance income	67	45	186
Profit before income tax	7,077	9,513	19,676
Income tax expense	(1,415)	(1,903)	(3,489)
Profit for the period attributable to the equity holders of the parent company	5,662	7,610	16,187
Other comprehensive income/(expense) for the period:			
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	—	—	228
Tax effect of items that will not be reclassified	—	—	—
	—	—	228
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available for sale financial assets	53	(32)	(28)
Reclassification adjustments for gains/(losses) on available for sale assets included in profit	—	—	85
Tax effect of items that may be reclassified	(10)	6	5
	43	(26)	62
Total other comprehensive (losses)/income for the period (net of tax)	43	(26)	290
Total comprehensive income for the period attributable to the equity holders of the parent company	5,705	7,584	16,477
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	12.98p	17.44p	37.10p

Consolidated Balance Sheet

30 September 2016

	Unaudited 30 September 2016 £'000	Unaudited 30 September 2015 £'000	Audited 31 March 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	71,023	66,622	66,948
Financial assets	407	435	354
Other receivables	3,383	5,677	3,383
	74,813	72,734	70,685
Current assets			
Inventories	12,706	12,933	11,992
Trade and other receivables	30,632	30,843	30,047
Other current interest-bearing deposits	10,000	10,000	10,000
Cash and cash equivalents	13,343	21,884	30,385
	66,681	75,660	82,424
Total assets	141,494	148,394	153,109
LIABILITIES			
Current liabilities			
Trade and other payables	17,537	19,624	16,769
Current tax liabilities	1,457	1,379	2,029
	18,994	21,003	18,798
Non-current liabilities			
Deferred tax liabilities	4,459	4,876	4,378
Total liabilities	23,453	25,879	23,176
Net assets	118,041	122,515	129,933
Equity attributable to equity holders of the parent company			
Share capital	4,363	4,363	4,363
Share premium account	874	874	874
Other reserve	13	13	13
Retained earnings	112,791	117,265	124,683
Total equity	118,041	122,515	129,933

Consolidated Cash Flow Statement

For six months ended 30 September 2016

	Unaudited Half year to 30 September 2016 £'000	Unaudited Half year to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
Cash flows from operating activities			
Profit before income tax	7,077	9,513	19,676
Adjustments for:			
Depreciation	3,299	3,174	6,853
Profit on disposal of property, plant and equipment	—	—	(62)
Loss on disposal of financial assets	—	—	48
Finance income	(67)	(45)	(186)
Excess of employer pension contributions over income statement charge	—	—	228
(Increase)/decrease in inventories	(714)	(818)	123
Decrease/(increase) in receivables	334	(501)	2,925
Increase/(decrease) in payables	768	1,022	(1,832)
Cash generated from operating activities	10,697	12,345	27,773
Tax paid	(1,916)	(1,766)	(3,202)
Interest received	52	33	165
Net cash generated from operating activities	8,833	10,612	24,736
Cash flows from investing activities			
Dividends received from listed investments	15	12	21
Purchase of property, plant and equipment	(7,374)	(3,224)	(7,236)
Proceeds from disposal of property, plant and equipment	—	—	69
Proceeds from disposal of financial assets	—	—	122
Repayments from pension schemes	—	—	1,135
Advances to pension schemes	(919)	(1,139)	(2,610)
Net cash used in investing activities	(8,278)	(4,351)	(8,499)
Cash flow from financing activities			
Dividends paid to shareholders	(17,597)	(4,398)	(5,873)
Net cash used in financing activities	(17,597)	(4,398)	(5,873)
Net (decrease)/increase in cash and cash equivalents	(17,042)	1,863	10,364
Cash and cash equivalents at beginning of period	30,385	20,021	20,021
Cash and cash equivalents at end of period	13,343	21,884	30,385
Cash and cash equivalents:			
Short-term deposits	11,364	20,380	27,786
Cash available on demand	1,979	1,504	2,599
	13,343	21,884	30,385

Consolidated Statement of Changes in Equity

Unaudited	Equity attributable to equity holders of the parent				Total equity £'000
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	
At 1 April 2016	4,363	874	13	124,683	129,933
Profit for the period	—	—	—	5,662	5,662
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	53	53
Tax effect of items taken directly to reserves	—	—	—	(10)	(10)
Total comprehensive income for the period ended 30 September 2016	—	—	—	5,705	5,705
Dividends	—	—	—	(17,597)	(17,597)
At 30 September 2016	4,363	874	13	112,791	118,041

Unaudited	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	4,363	874	13	114,079	119,329
Profit for the period	—	—	—	7,610	7,610
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	(32)	(32)
Tax effect of items taken directly to reserves	—	—	—	6	6
Total comprehensive income for the period ended 30 September 2015	—	—	—	7,584	7,584
Dividends	—	—	—	(4,398)	(4,398)
At 30 September 2015	4,363	874	13	117,265	122,515

Audited	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	4,363	874	13	114,079	119,329
Profit for the year	—	—	—	16,187	16,187
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial loss	—	—	—	228	228
Change in fair value of available for sale assets	—	—	—	(28)	(28)
Reclassification adjustment for gains/(losses) on available for sale assets in profit	—	—	—	85	85
Tax effect of items taken directly to reserves	—	—	—	5	5
Total comprehensive income for the year ended 31 March 2016	—	—	—	16,477	16,477
Dividends	—	—	—	(5,873)	(5,873)
At 31 March 2016	4,363	874	13	124,683	129,933

Notes

1. General information

Castings P.L.C. (the 'company') is a company domiciled in England. The condensed consolidated interim financial statements of the company for the six months ended 30 September 2016 comprise the company and its subsidiaries (together referred to as the 'group').

The principal activities of the group are the manufacture of iron castings and machining operations.

The financial information for the year ended 31 March 2016 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2016 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498 (2) or (3) of the Companies Act 2006.

This report has not been audited and has not been reviewed by independent auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

2. Accounting policies

The annual financial statements of Castings P.L.C. are prepared using the recognition and measurement principles of IFRSs as endorsed by the European Union. The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Basis of preparation

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed consolidated interim financial statements.

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as applied in the group's latest annual audited financial statements.

3. Seasonality of operations

The directors do not consider there to be any significant seasonality or cyclicity to the results of the group.

4. Segment information

For internal decision making purposes, the group is organised into three operating companies which are considered to represent two operating segments of the group. Castings P.L.C. and William Lee Limited are aggregated into Foundry Operations and CNC Speedwell Limited is the Machining Operation.

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2016.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	54,187	3,676	—	57,863
Inter-segmental revenue	8,436	8,049	—	16,485
Segmental result	6,212	798	—	7,010
Unallocated income:				
Finance income				67
Profit before income tax				7,077
Total assets	120,303	33,596	(12,405)	141,494
Non-current asset additions	4,947	2,427	—	7,374
Depreciation	1,525	1,774	—	3,299

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2015.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	55,102	9,860	—	64,962
Inter-segmental revenue	10,342	7,038	—	17,380
Segmental result	6,915	2,553	—	9,468
Unallocated income:				
Finance income				45
Profit before income tax				9,513
Total assets	121,295	33,761	(6,662)	148,394
Non-current asset additions	1,574	1,650	—	3,224
Depreciation	1,520	1,654	—	3,174

The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2016.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	114,738	17,710	—	132,448
Inter-segmental revenue	20,393	15,496	—	35,889
Segmental result	14,682	4,699	22	19,403
Unallocated income/(costs):				
Exceptional credit for recovery of Icelandic bank deposits previously written off				315
Defined benefit pension costs				(228)
Finance income				186
Profit before income tax				19,676
Total assets	129,704	33,089	(9,684)	153,109
Non-current asset additions	2,511	4,725	—	7,236
Depreciation	3,331	3,522	—	6,853

5. Dividends

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2016 £'000	Half year to 30 September 2015 £'000
Final dividend of 10.33p per share for the year ended 31 March 2016 (2015 – 10.08p per share)	4,507	4,398
Supplementary dividend of 30.00p per share for the year ended 31 March 2016 (2015 – nil)	13,090	—
	17,597	4,398

The directors have declared an interim dividend in respect of the financial year ending 31 March 2017 of 3.38p per share (2016 – 3.38p), which will be paid on 3 January 2017.

6. Earnings per share and diluted earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. There are no share options or other potentially issuable shares; hence the diluted earnings per share is the same calculation.

	Unaudited Half year to 30 September 2016	Unaudited Half year to 30 September 2015	Audited Year to 31 March 2016
Profit after tax (£'000)	5,662	7,610	16,187
Weighted average number of shares	43,632,068	43,632,068	43,632,068
Earnings per share — basic and diluted	12.98p	17.44p	37.10p

7. Pension schemes

The group operates two defined benefit pension schemes which are closed to new entrants and closed to future accruals on 6 April 2009. The assets of the schemes are independent of the finances of the group and are administered by trustees.

The pension schemes are related parties of the group and during the period £919,000 (2015 – £1,139,000) was paid by the group on behalf of the schemes in respect of pension payments and administration costs. At 30 September 2016 of the outstanding balance of £8,067,000 (2015 – £6,811,000), £3,383,000 (2015 – £5,677,000) is classified as a non-current other receivable and is repayable in three equal annual instalments commencing on 30 November 2017. Payments made by the company on behalf of the schemes in the current period are repayable on 30 November 2017.

8. Interim report

Copies of this interim management report will be available on the company's website, www.castings.plc.uk, and from the registered office.

Statement of Directors' Responsibilities

The directors confirm that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

By order of the board

S. J. MANT FCA
Group Finance Director
11 November 2016