

Castings P.L.C.

Interim Management Report

Sales for the six months ended 30 September 2015 were £65.0m (2014 - £63.6m) with profit before tax of £9.51m (2014 - £8.34m).

Sales revenue has been affected by the general reduction in raw material prices during the period making it difficult to directly compare to the previous year.

It was reported at the Annual General Meeting in August that sales volumes were maintaining at reasonable levels. It appears for the next three months that orders and schedules will remain at a similar level.

It is anticipated that the profits for the full year will meet market expectations, unless there is a sudden and unexpected change in the economic climate that would affect the outcome.

An interim dividend of 3.38 pence per share has been declared and will be paid on 4 January 2016 to shareholders who are on the register at 27 November 2015.

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 do not consider that the principal risks and uncertainties have changed since publication of the annual report for the year ended 31 March 2015. A detailed explanation of the risks relevant to the group is on pages 7 and 8 of the annual report.

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
13 November 2015

Castings P.L.C.
Lichfield Road
Brownhills
West Midlands
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Consolidated Statement of Comprehensive Income

For six months ended 30 September 2015

	Unaudited Half year to 30 September 2015 £'000	Unaudited Half year to 30 September 2014 £'000	Audited Year to 31 March 2015 £'000
Revenue	64,962	63,596	131,268
Cost of sales	(48,091)	(47,850)	(99,150)
Gross profit	16,871	15,746	32,118
Distribution costs	(1,103)	(1,062)	(2,162)
Administrative expenses			
Excluding exceptional	(6,300)	(6,422)	(12,570)
Exceptional	-	-	24
Total administrative expenses	(6,300)	(6,422)	(12,546)
Profit from operations	9,468	8,262	17,410
Finance income	45	81	137
Profit before income tax	9,513	8,343	17,547
Income tax expense	(1,903)	(1,752)	(3,672)
Profit for the period attributable to the equity holders of the parent company	7,610	6,591	13,875
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	-	-	283
Tax effect of items that will not be reclassified	-	-	-
	-	-	283
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available for sale financial assets	(32)	(39)	(55)
Tax effect of items that may be reclassified	6	8	11
	(26)	(31)	(44)
Total other comprehensive (losses)/income for the period (net of tax)	(26)	(31)	239
Total comprehensive income for the period attributable to the equity holders of the parent company	7,584	6,560	14,114
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	17.44p	15.11p	31.80p

Consolidated Balance Sheet
30 September 2015

	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 March 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	66,622	66,774	66,572
Financial assets	435	483	467
Other receivables	5,677	-	4,538
	72,734	67,257	71,577
Current assets			
Inventories	12,933	14,086	12,115
Trade and other receivables	30,843	33,417	30,342
Other current interest-bearing deposits	10,000	-	10,000
Cash and cash equivalents	21,884	24,671	20,021
	75,660	72,174	72,478
Total assets	148,394	139,431	144,055
LIABILITIES			
Current liabilities			
Trade and other payables	19,624	20,247	18,602
Current tax liabilities	1,379	1,658	1,336
	21,003	21,905	19,938
Non-current liabilities			
Deferred tax liabilities	4,876	4,346	4,788
Total liabilities	25,879	26,251	24,726
Net assets	122,515	113,180	119,329
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	117,265	107,930	114,079
Total equity	122,515	113,180	119,329

Consolidated Cash Flow Statement
For six months ended 30 September 2015

	Unaudited Half year to 30 September 2015 £'000	Unaudited Half year to 30 September 2014 £'000	Audited Year to 31 March 2015 £'000
Cash flows from operating activities			
Profit before income tax	9,513	8,343	17,547
Adjustments for:			
Depreciation	3,174	3,173	6,760
Loss on sale of property, plant and equipment	-	-	1
Finance income	(45)	(81)	(137)
Excess of employer pension contributions over income statement charge	-	-	283
(Increase)/decrease in inventories	(818)	(1,465)	506
Increase in receivables	(1,640)	(664)	(2,127)
Increase/(decrease) in payables	1,022	(829)	(2,474)
Cash generated from operating activities	11,206	8,477	20,359
Tax paid	(1,766)	(2,626)	(4,423)
Interest received	33	69	115
Net cash generated from operating activities	9,473	5,920	16,051
Cash flows from investing activities			
Dividends received from listed investments	12	12	22
Purchase of property, plant and equipment	(3,224)	(4,752)	(8,210)
Proceeds from disposal of property, plant and equipment	-	-	72
Transfer to other current interest-bearing deposits	-	-	(10,000)
Net cash (used in)/ inflow from investing activities	(3,212)	(4,740)	(18,116)
Cash flow from financing activities			
Dividends paid to shareholders	(4,398)	(4,289)	(5,694)
Net cash used in financing activities	(4,398)	(4,289)	(5,694)
Net increase/(decrease) in cash and cash equivalents	1,863	(3,109)	(7,759)
Cash and cash equivalents at beginning of period	20,021	27,780	27,780
Cash and cash equivalents at end of period	21,884	24,671	20,021
Cash and cash equivalents:			
Short-term deposits	20,380	22,012	19,253
Cash available on demand	1,504	2,659	768
	21,884	24,671	20,021

Consolidated Statement of Changes in Equity

	Unaudited				
	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'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

	Unaudited				
	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	4,363	874	13	105,659	110,909
Profit for the period	-	-	-	6,591	6,591
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	-	-	-	(39)	(39)
Tax effect of items taken directly to reserves	-	-	-	8	8
Total comprehensive income for the period ended 30 September 2014	-	-	-	6,560	6,560
Dividends	-	-	-	(4,289)	(4,289)
At 30 September 2014	4,363	874	13	107,930	113,180

	Audited				
	Equity attributable to equity holders of the parent				
	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	4,363	874	13	105,659	110,909
Profit for the year	-	-	-	13,875	13,875
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial loss	-	-	-	283	283
Change in fair value of available for sale assets	-	-	-	(55)	(55)
Tax effect of items taken directly to reserves	-	-	-	11	11
Total comprehensive income for the year ended 31 March 2015	-	-	-	14,114	14,114
Dividends	-	-	-	(5,694)	(5,694)
At 31 March 2015	4,363	874	13	114,079	119,329

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 2015 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 2015 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2015 have been filed with the Registrar of Companies. The Independent Auditors’ Report on the Annual Report and Financial Statements for 2015 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 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 half year to 30 September 2014.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	55,618	7,978	-	63,596
Inter-segmental revenue	9,919	6,402	-	16,321
Segmental result	6,418	1,844	-	8,262
Unallocated income: Finance income				81
Profit before income tax				8,343
Total assets	123,117	32,517	(16,203)	139,431
Non-current asset additions	3,106	1,646	-	4,752
Depreciation	1,555	1,618	-	3,173

The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2015.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	113,300	17,968	-	131,268
Inter-segmental revenue	20,532	13,398	-	33,930
Segmental result	13,064	4,521	84	17,669
Unallocated income/(costs):				
Exceptional credit for recovery of Icelandic bank deposits previously written off				24
Defined benefit pension costs				(283)
Finance income				137
Profit before income tax				17,547
Total assets	122,650	31,919	(10,514)	144,055
Non-current asset additions	4,303	3,907	-	8,210
Depreciation	3,507	3,253	-	6,760

5. Dividends

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2015 £'000	Half year to 30 September 2014 £'000
Final dividend of 10.08p per share for the year ended 31 March 2015 (2014 – 9.83p per share)	4,398	4,289

The directors have declared an interim dividend in respect of the financial year ending 31 March 2016 of 3.38p per share (2015 – 3.22p), which will be paid on 4 January 2016.

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 2015 £'000	Unaudited Half year to 30 September 2014 £'000	Audited Year to 31 March 2015 £'000
Profit after tax	7,610	6,591	13,875
Weighted average number of shares	43,632,068	43,632,068	43,632,068
Earnings per share – basic and diluted	17.44p	15.11p	31.80p

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 £1,139,000 (2014 - £1,200,000) was paid by the group on behalf of the schemes in respect of pension payments and administration costs. On 16 March 2015 an agreement was entered into setting out the repayment terms of the outstanding balance at 31 March 2015 in five equal instalments commencing on 30 November 2015. As a result, at 30 September 2015 of the outstanding balance of £6,811,000 (2014 - £4,631,000), £5,677,000 (2014 - nil) is classified as a non-current other receivable. Payments made by the company on behalf of the schemes in the current period are repayable on 30 November 2016.

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.

The directors of Castings P.L.C. are listed on the back cover of this report.

By order of the board

S J Mant FCA
Group Finance Director
13 November 2015