

## **Castings p.l.c.**

### **Interim Management Report**

Sales for the six months ended 30 September 2012 were £60.4m (2011 - £64.0m) with profit before tax after exceptional items of £9.11m (2011 - £10.13m).

The company enjoyed reasonable trading conditions up to the end of August. In September the foundries experienced a reduction in schedules from our main customer base. Since then we have seen further schedule and order reductions amounting in total to 20%. Our main customer base, the European truck manufacturers, are forecasting that orders will continue at around this lower level into 2013 while the economic situation is in such an uncertain state.

It is pleasing to report CNC have increased turnover and profits during the half year; this is mainly as a result of new business coming into production. However, CNC will be affected by the general downturn in truck business.

It is somewhat strange that the UK is meant to have moved out of recession when Europe is in such turmoil and so many companies in engineering are seeing reductions in demand.

The company will take the necessary action to maintain efficiency at lower levels of production in order to operate at a profitable level and generate good cash flows.

An interim dividend of 2.98 pence per share has been declared and will be paid on 4 January 2013 to shareholders who are on the register at 30 November 2012.

#### **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 2012. A detailed explanation of the risks relevant to the group is on pages 9 and 10 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 plc and its subsidiary undertakings when viewed as a whole.

By order of the board:

BRIAN J. COOKE  
Chairman  
16 November 2012

Castings p.l.c.  
Lichfield Road  
Brownhills  
West Midlands  
WS8 6JZ

## Castings p.l.c.

### Consolidated Statement of Comprehensive Income

For six months ended 30 September 2012  
(Unaudited)

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
<b>Revenue</b>	60,401	63,991	126,271
Cost of sales	<u>(43,881)</u>	<u>(46,838)</u>	<u>(92,658)</u>
<b>Gross profit</b>	16,520	17,153	33,613
Distribution costs	(791)	(876)	(1,665)
Administrative expenses			
Excluding exceptional	(6,683)	(6,211)	(9,704)
Exceptional	-	-	693
Total administrative expenses	<u>(6,683)</u>	<u>(6,211)</u>	<u>(9,011)</u>
<b>Profit from operations</b>	9,046	10,066	22,937
Finance income	<u>65</u>	<u>64</u>	<u>156</u>
<b>Profit before income tax</b>	9,111	10,130	23,093
Income tax expense	<u>(2,187)</u>	<u>(2,634)</u>	<u>(5,502)</u>
<b>Profit for the period attributable to the equity holders of the parent company</b>	6,924	7,496	17,591
<b>Other comprehensive expense for the period:</b>			
Change in fair value of available for sale financial assets	(13)	(6)	28
Net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes	-	-	(345)
Tax effect of gains and losses recognised directly in equity	<u>3</u>	<u>2</u>	<u>(7)</u>
<b>Total other comprehensive income for the period (net of tax)</b>	<u>(10)</u>	<u>(4)</u>	<u>(324)</u>
<b>Total comprehensive income for the period attributable to the equity holders of the parent company</b>	<u>6,914</u>	<u>7,492</u>	<u>17,267</u>
<b>Earnings per share attributable to the equity holders of the parent company</b>			
Basic and diluted	<u>15.87p</u>	<u>17.18p</u>	<u>40.32p</u>

## Castings p.l.c.

### Consolidated Balance Sheet

30 September 2012  
(Unaudited)

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	61,306	56,961	62,226
Financial assets	482	461	495
	<u>61,788</u>	<u>57,422</u>	<u>62,721</u>
<b>Current assets</b>			
Inventories	10,330	10,474	9,310
Trade and other receivables	30,269	28,585	30,191
Other current interest-bearing deposits	5,000	-	-
Cash and cash equivalents	14,593	16,657	17,805
	<u>60,192</u>	<u>55,716</u>	<u>57,306</u>
<b>Total assets</b>	<u>121,980</u>	<u>113,138</u>	<u>120,027</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18,462	21,141	18,863
Current tax liabilities	2,192	2,151	2,983
	<u>20,654</u>	<u>23,292</u>	<u>21,846</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	5,665	5,747	5,577
<b>Total liabilities</b>	<u>26,319</u>	<u>29,039</u>	<u>27,423</u>
<b>Net assets</b>	<u>95,661</u>	<u>84,099</u>	<u>92,604</u>
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	4,363	4,363	4,363
Share premium account	874	874	874
Other reserve	13	13	13
Retained earnings	90,411	78,849	87,354
<b>Total equity</b>	<u>95,661</u>	<u>84,099</u>	<u>92,604</u>

## Castings p.l.c.

### Consolidated Cash Flow Statement

For six months ended 30 September 2012  
(Unaudited)

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
<b>Cash flows from operating activities</b>			
Profit before income tax	9,111	10,130	23,093
Adjustments for:			
Depreciation	2,880	2,877	6,188
Loss on sale of property, plant & equipment	-	-	66
Interest received	(65)	(64)	(137)
Excess of employer pension contributions over income statement charge	-	-	(345)
(Increase)/decrease in inventories	(1,020)	928	2,092
(Increase)/decrease in receivables	(78)	2,371	765
Decrease in payables	(401)	(3,972)	(6,250)
<b>Cash generated from operating activities</b>	<b>10,427</b>	<b>12,270</b>	<b>25,472</b>
Tax paid	(2,887)	(1,927)	(4,142)
Interest received	65	64	137
<b>Net cash generated from operating activities</b>	<b>7,605</b>	<b>10,407</b>	<b>21,467</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(1,960)	(3,949)	(12,591)
Transfer to other current interest-bearing deposits	(5,000)	-	-
<b>Net cash used in investing activities</b>	<b>(6,960)</b>	<b>(3,949)</b>	<b>(12,591)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders	(3,857)	(3,508)	(4,778)
<b>Net cash used in financing activities</b>	<b>(3,857)</b>	<b>(3,508)</b>	<b>(4,778)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,212)</b>	<b>2,950</b>	<b>4,098</b>
Cash and cash equivalents at beginning of period	17,805	13,707	13,707
<b>Cash and cash equivalents at end of period</b>	<b>14,593</b>	<b>16,657</b>	<b>17,805</b>

## Castings p.l.c.

### 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 2012	4,363	874	13	87,354	92,604
Total comprehensive income for the period ended 30 September 2012	-	-	-	6,914	6,914
Dividends	-	-	-	(3,857)	(3,857)
At 30 September 2012	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>90,411</u>	<u>95,661</u>

	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 2011	4,363	874	13	74,865	80,115
Total comprehensive income for the period ended 30 September 2011	-	-	-	7,492	7,492
Dividends	-	-	-	(3,508)	(3,508)
At 30 September 2011	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>78,849</u>	<u>84,099</u>

	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 2011	4,363	874	13	74,865	80,115
Total comprehensive income for the year ended 31 March 2012	-	-	-	17,267	17,267
Dividends	-	-	-	(4,778)	(4,778)
At 31 March 2012	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>87,354</u>	<u>92,604</u>

# Castings p.l.c.

## Notes

### 1. GENERAL INFORMATION

Castings plc (the "Company") is a company domiciled in England. The condensed consolidated interim financial statements of the Company for the six months ended 30 September 2012 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 2012 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2012 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2012 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 plc 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 financial statements.

The same accounting policies, presentation and methods of computation are followed in the condensed set of 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.

## Castings p.l.c.

### 4. SEGMENT INFORMATION

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 plc 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 2012.

	<b>Foundry operations £'000</b>	<b>Machining £'000</b>	<b>Elimination £'000</b>	<b>Total £'000</b>
Revenue from external customers	53,459	6,942	-	60,401
Inter-segmental revenue	9,878	5,795	-	15,673
Segmental result	6,712	2,334	-	9,046
Unallocated income: Finance income				65
Profit before income tax				9,111
Total assets	113,332	25,827	(17,179)	121,980
Non-current asset additions	924	1,036	-	1,960
Depreciation	1,448	1,432	-	2,880

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2011.

	<b>Foundry operations £'000</b>	<b>Machining £'000</b>	<b>Elimination £'000</b>	<b>Total £'000</b>
Revenue from external customers	59,401	4,590	-	63,991
Inter-segmental revenue	9,353	5,775	-	15,128
Segmental result	8,228	1,838	-	10,066
Unallocated income: Finance income				64
Profit before income tax				10,130
Total assets	109,104	21,364	(17,330)	113,138
Non-current asset additions	2,864	1,085	-	3,949
Depreciation	1,458	1,419	-	2,877

## Castings p.l.c.

The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2012.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	117,036	9,235	-	126,271
Inter-segmental revenue	18,888	11,283	-	30,171
Segmental result	17,761	4,017	121	21,899
Unallocated income:				
Exceptional credit for the recovery of Icelandic deposits previously written off				693
Excess of employer pension contributions over statement of comprehensive income charge				345
Finance income				156
Profit before income tax				23,093
Total assets	110,377	22,755	(13,105)	120,027
Non-current asset additions	7,508	5,356	-	12,864
Depreciation	3,046	3,142	-	6,188

## 5. DIVIDENDS

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000
Final dividend of 8.84p for the year ended 31 March 2012 (2011 – 8.04p) per share	3,857	3,508

The directors have declared an interim dividend in respect of the financial year ending 31 March 2013 of 2.98p per share (2012 - 2.91p), which will be paid on 4 January 2013.



## Castings p.l.c.

### 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.

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Profit after tax	<u>6,924</u>	<u>7,496</u>	<u>17,591</u>
Weighted average number of shares	<u>43,632,068</u>	<u>43,632,068</u>	<u>43,632,068</u>
Earnings per share – basic and diluted	<u>15.87p</u>	<u>17.18p</u>	<u>40.32p</u>

### 7. CASH, CASH EQUIVALENTS AND OTHER CURRENT INTEREST-BEARING DEPOSITS

	Half year to 30 September 2012 £'000	Half year to 30 September 2011 £'000	Year to 31 March 2012 £'000
Cash and cash equivalents	14,593	16,657	17,805
Other current interest-bearing deposits	<u>5,000</u>	<u>-</u>	<u>-</u>
	<u>19,593</u>	<u>16,657</u>	<u>17,805</u>

In accordance with IAS7, cash held on long term deposits, with an original maturity greater than three months, has been classified as other current interest-bearing deposits.

### Statement of Directors' Responsibilities

The directors confirm that the condensed set of financial statements has 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 4.2.7 and DTR 4.2.8.

The directors of Castings plc are listed on the following page.

By order of the Board

S J MANT FCA  
Group Finance Director  
16 November 2012