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# **CASTINGS** P.L.C.

## **INTERIM MANAGEMENT REPORT**

Six months ended  
30 September 2020

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# Interim Management Report

## Overview

Sales for the six months ended 30 September 2020 were £41.7 million (2019 – £73.1 million) with loss before tax of £0.63 million (2019 – profit of £7.34 million).

The period has been significantly impacted by reduced demand as a result of the COVID-19 pandemic. Output reduced by approximately 80% during the first two months of the period as the commercial vehicle sector, which represents 70% of group revenue, closed production facilities and 80% of our workforce was placed on furlough leave under the Coronavirus Job Retention Scheme. During the following four months, there was a gradual increase in demand from the heavy-truck OEMs such that monthly demand levels were approximately 85% of pre-COVID levels at the end of the period.

The group completed on the sale of the Fradley site for £1.95 million (before disposal costs) on 22 September 2020, resulting in a profit of £0.66 million.

## Foundry operations

Output during the period was down 43% at 14,350 tonnes (2019 – 25,200 tonnes) and external sales revenue decreased by 42% to £40.5 million.

The profit from the foundry segment of £0.8 million represents a decrease of 89% from the equivalent period last year ('previous period'). The margin has been negatively impacted by the lower production levels and significant disruption during the period resulting in production inefficiencies. However, assuming demand remains buoyant, productivity gains are due to be realised during the second half of the financial year and into 2021/22.

The strong group cash position has enabled the continued investment in foundry facilities during the period, including £1.6 million to support a production line upgrade and the introduction of a new in-house heat treatment plant.

## Machining operation

CNC Speedwell generated external revenue of £1.2 million during the period, a decrease of 60% compared to the previous period, with a reported loss of £2.1 million compared to a profit of £0.1 million in the previous period. The significantly lower levels of demand have a particularly negative impact on such a well-invested business with a depreciation cost of £2.0 million in the period.

The focus on automation and productivity improvements has continued which makes up the majority of the capital investment of £0.8 million during the period.

## Outlook

The current heavy-truck schedules suggest output returning to pre-COVID levels, albeit there continues to be uncertainty regarding the pandemic. Assuming these levels are realised, the group is well positioned to see the benefits of the productivity improvements in both the foundry and machining businesses.

The group has been successful in obtaining a number of new projects with our European truck customers that will commence production in 2021/22 and 2022/23. In addition to replacement work, these projects include additional platform volumes and also more value-add product solutions.

The automation of finishing processes within the foundries is largely complete and the automation investment programme in the machining business will continue in the medium term.

The group maintains a strong balance sheet with cash levels of £35.2 million; an increase of £1.8 million during the period after the dividend payment of £5.0 million.

## Dividend

An interim dividend of 3.57 pence per share has been declared and will be paid on 7 January 2021 to shareholders who are on the register at 27 November 2020.

## 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 8 and 9 of the Annual Report for the year ended 31 March 2020.

The COVID-19 pandemic has caused significant disruption to the group during the period. Our commercial vehicle customers ceased production for a three to five week period during March and April 2020. However, since that time, demand levels have steadily improved, employees have returned from furlough leave and production levels have increased. Whilst we have not seen any further significant impact as a result of the pandemic, it does still have the potential to disrupt supply chains and future demand.

The negotiations on the UK's future trading relationship with the European Union remain ongoing. With over 70% of the group's sales revenue being generated in this market, there remains a potential risk. We maintain regular dialogue with suppliers and customers to ensure that supply risks are mitigated where possible.

## 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

Castings P.L.C.  
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BRIAN J. COOKE  
Chairman  
13 November 2020

# Consolidated Statement of Comprehensive Income

For six months ended 30 September 2020

	Unaudited Half year to 30 September 2020 £'000	Unaudited Half year to 30 September 2019 £'000	Audited Year to 31 March 2020 £'000
<b>Revenue</b>	<b>41,748</b>	73,135	138,667
Cost of sales	<b>(36,593)</b>	(57,349)	(109,186)
<b>Gross profit</b>	<b>5,155</b>	15,786	29,481
Distribution costs	<b>(769)</b>	(1,444)	(2,510)
Administrative expenses	<b>(5,722)</b>	(7,109)	(14,477)
<b>(Loss)/profit before surplus on sale of property</b>	<b>(1,336)</b>	7,233	12,494
Surplus on sale of property	<b>658</b>	—	—
<b>(Loss)/profit from operations</b>	<b>(678)</b>	7,233	12,494
Finance income	<b>51</b>	111	206
<b>(Loss)/profit before income tax</b>	<b>(627)</b>	7,344	12,700
Income tax credit/(expense)	<b>121</b>	(1,393)	(2,634)
<b>(Loss)/profit for the period attributable to the equity holders of the parent company</b>	<b>(506)</b>	5,951	10,066
<b>Other comprehensive income/(expense) for the period:</b>			
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	—	—	258
	—	—	258
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available for sale financial assets	<b>(15)</b>	30	(22)
Tax effect of items that may be reclassified	<b>3</b>	(5)	4
	<b>(12)</b>	25	(18)
<b>Total other comprehensive (losses)/income for the period (net of tax)</b>	<b>(12)</b>	25	240
<b>Total comprehensive (loss)/income for the period attributable to the equity holders of the parent company</b>	<b>(518)</b>	5,976	10,306
<b>Earnings per share attributable to the equity holders of the parent company</b>			
Basic and diluted	<b>(1.16)p</b>	13.64p	23.07p

# Consolidated Balance Sheet

30 September 2020

	Unaudited 30 September 2020 £'000	Unaudited 30 September 2019 £'000	Audited 31 March 2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	68,843	70,999	70,693
Financial assets	343	410	358
	<b>69,186</b>	71,409	71,051
<b>Current assets</b>			
Inventories	17,932	19,077	21,175
Trade and other receivables	30,777	36,954	28,661
Current tax asset	411	524	332
Cash and cash equivalents	35,217	25,835	33,401
	<b>84,337</b>	82,390	83,569
Assets classified as held for sale	—	1,060	1,060
	<b>84,337</b>	83,450	84,629
<b>Total assets</b>	<b>153,523</b>	154,859	155,680
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	23,550	22,453	20,092
Current tax liabilities	—	—	—
	<b>23,550</b>	22,453	20,092
<b>Non-current liabilities</b>			
Deferred tax liabilities	3,807	3,560	3,930
<b>Total liabilities</b>	<b>27,357</b>	26,013	24,022
<b>Net assets</b>	<b>126,166</b>	128,846	131,658
<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	120,916	123,596	126,408
<b>Total equity</b>	<b>126,166</b>	128,846	131,658

# Consolidated Cash Flow Statement

For six months ended 30 September 2020

	Unaudited Half year to 30 September 2020 £'000	Unaudited Half year to 30 September 2019 £'000	Audited Year to 31 March 2020 £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax	(627)	7,344	12,700
Adjustments for:			
Depreciation	4,251	4,163	8,903
Profit on disposal of property, plant and equipment	—	—	(40)
Profit on disposal of held for sale asset	(658)	—	—
Finance income	(51)	(111)	(206)
Pension administrative costs	—	—	258
Decrease/(increase) in inventories	3,243	87	(2,011)
(Increase)/decrease in receivables	(712)	5,185	11,713
Increase/(decrease) in payables	3,458	(1,769)	(4,130)
<b>Cash generated from operating activities</b>	<b>8,904</b>	<b>14,899</b>	<b>27,187</b>
Tax paid	(78)	(3,685)	(4,355)
Interest received	41	101	186
<b>Net cash generated from operating activities</b>	<b>8,867</b>	<b>11,315</b>	<b>23,018</b>
<b>Cash flows from investing activities</b>			
Dividends received from listed investments	10	10	20
Purchase of property, plant and equipment	(2,606)	(3,724)	(8,158)
Proceeds from disposal of property, plant and equipment	—	—	40
Proceeds from disposal of held for sale asset	1,923	—	—
Transfer from/(to) other current interest-bearing deposits	—	5,000	5,000
Repayments from pension schemes	—	—	3,525
Advances to pension schemes	(1,404)	(1,018)	(2,778)
<b>Net cash used in investing activities</b>	<b>(2,077)</b>	<b>268</b>	<b>(2,351)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders	(4,974)	(11,519)	(13,037)
<b>Net cash used in financing activities</b>	<b>(4,974)</b>	<b>(11,519)</b>	<b>(13,037)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,816</b>	<b>64</b>	<b>7,630</b>
Cash and cash equivalents at beginning of period	33,401	25,771	25,771
<b>Cash and cash equivalents at end of period</b>	<b>35,217</b>	<b>25,835</b>	<b>33,401</b>
<b>Cash and cash equivalents:</b>			
Short-term deposits	33,394	23,362	28,610
Cash available on demand	1,823	2,473	4,791
	<b>35,217</b>	<b>25,835</b>	<b>33,401</b>

# 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	
<b>At 1 April 2020</b>	<b>4,363</b>	<b>874</b>	<b>13</b>	<b>126,408</b>	<b>131,658</b>
Loss for the period	—	—	—	(506)	(506)
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	(15)	(15)
Tax effect of items taken directly to reserves	—	—	—	3	3
Total comprehensive loss for the period ended 30 September 2020	—	—	—	(518)	(518)
Dividends	—	—	—	(4,974)	(4,974)
<b>At 30 September 2020</b>	<b>4,363</b>	<b>874</b>	<b>13</b>	<b>120,916</b>	<b>126,166</b>
<b>Unaudited</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2019</b>	4,363	874	13	129,139	134,389
Profit for the period	—	—	—	5,951	5,951
Other comprehensive income/(losses):					
Change in fair value of available for sale assets	—	—	—	30	30
Tax effect of items taken directly to reserves	—	—	—	(5)	(5)
Total comprehensive income for the period ended 30 September 2019	—	—	—	5,976	5,976
Dividends	—	—	—	(11,519)	(11,519)
<b>At 30 September 2019</b>	<b>4,363</b>	<b>874</b>	<b>13</b>	<b>123,596</b>	<b>128,846</b>
<b>Audited</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2019</b>	4,363	874	13	129,139	134,389
Profit for the year	—	—	—	10,066	10,066
Other comprehensive income/(losses):					
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial loss	—	—	—	258	258
Change in fair value of available for sale assets	—	—	—	(22)	(22)
Tax effect of items taken directly to reserves	—	—	—	4	4
Total comprehensive income for the year ended 31 March 2020	—	—	—	10,306	10,306
Dividends	—	—	—	(13,037)	(13,037)
<b>At 31 March 2020</b>	<b>4,363</b>	<b>874</b>	<b>13</b>	<b>126,408</b>	<b>131,658</b>

# Notes

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## 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 2020 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 2020 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2020 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2019 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.

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

#### 4. Segment information continued

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2020.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	40,523	1,225	—	41,748
Inter-segmental revenue	4,099	4,767	—	8,866
Segmental result	776	(2,112)	—	(1,336)
Unallocated income:				
Exceptional profit on disposal of held for sale asset				658
Finance income				51
Loss before income tax				(627)
Total assets	136,837	29,966	(13,280)	153,523
Non-current asset additions	1,784	822	—	2,606
Depreciation	2,246	2,005	—	4,251
Total liabilities	(26,214)	(9,299)	8,156	(27,357)

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2019.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	70,106	3,029	—	73,135
Inter-segmental revenue	9,609	10,325	—	19,934
Segmental result	7,094	139	—	7,233
Unallocated income:				
Finance income				111
Profit before income tax				7,344
Total assets	137,691	31,430	(14,262)	154,859
Non-current asset additions	3,077	647	—	3,724
Depreciation	2,048	2,115	—	4,163
Total liabilities	(25,890)	(7,776)	7,653	(26,013)

# Notes

## 4. Segment information continued

The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2020.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	133,626	5,041	—	138,667
Inter-segmental revenue	17,701	19,471	—	37,172
Segmental result	13,400	(667)	9	12,742
Unallocated income/(costs):				
Exceptional credit for recovery of Icelandic bank deposits previously written off				10
Defined benefit pension costs				(258)
Finance income				206
Profit before income tax				12,700
Total assets	137,247	29,523	(11,090)	155,680
Non-current asset additions	5,651	2,507	—	8,158
Depreciation	4,406	4,497	—	8,903
Total liabilities	(23,135)	(6,744)	5,857	(24,022)

## 5. Surplus on sale of property

During the period the group completed on the sale of a property that was previously classified as an asset held for sale. The surplus on the sale of the property was £658,000.

## 6. Dividends

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2020 £'000	Half year to 30 September 2019 £'000
Final dividend of 11.40p per share for the year ended 31 March 2020 (2019 – 11.40p per share)	4,974	4,974
Supplementary dividend of 15.00p per share for the year ended 31 March 2019	—	6,545
	4,974	11,519

The directors have declared an interim dividend in respect of the financial year ending 31 March 2021 of 3.57p per share (2020 – 3.48p), which will be paid on 7 January 2021.

## 7. 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. The diluted earnings per share includes the outstanding share options within the weighted average number of shares figure.

	Unaudited Half year to 30 September 2020	Unaudited Half year to 30 September 2019	Audited Year to 31 March 2020
(Loss)/profit after tax (£'000)	<b>(506)</b>	5,951	10,066
Weighted average number of shares - basic calculation	<b>43,632,068</b>	43,632,068	43,632,068
Weighted average number of shares - diluted calculation	<b>43,667,360</b>	43,632,068	43,632,068
Earnings per share — basic and diluted	<b>(1.16)p</b>	13.64p	23.07p

## 8. 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 £1,404,000 (2019 – £1,018,000) was paid by the group on behalf of the schemes in respect of pension payments and administration costs. At 30 September 2020, the outstanding balance of £4,182,000 (2019 – £4,543,000) is repayable within one year.

Payments made by the company on behalf of the schemes in the current period are repayable by 30 November 2021.

## 9. Interim report

Copies of this interim management report will be available on the company's website, [www.castings.plc.uk](http://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 2020

## Directors and Officers

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### Directors

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

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### Registrars

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