

Castings p.l.c.

Interim Management Report

Sales for the six months ended 30 September 2013 were £65.9m (2012 - £60.4m) with profit before tax of £9.57m (2012 - £9.11m).

The company experienced exceptional levels of demand mainly from our commercial vehicle customers, with short term delivery requirements. Regrettably this caused certain inefficiencies in our operations and also logistics problems resulting in excessive cost. We also had to recruit new employees at short notice; this is costly due to training requirements.

The increase in demand we understand was caused by pre buy of commercial vehicles before the end of 2013. In the new year only Euro 6 exhaust systems can be sold in Europe, so we anticipate a short term reduction in demand during the early part of 2014.

In view of this it is impossible to forecast the outcome for the remainder of this financial year.

However we are encouraged that we have obtained orders for new projects and with the reported improvement in the world economic situation, the medium and long term future remains promising.

An interim dividend of 3.13 pence per share has been declared and will be paid on 3 January 2014 to shareholders who are on the register at 29 November 2013.

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 2013. A detailed explanation of the risks relevant to the group is on pages 8 and 9 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
15 November 2013

Castings p.l.c.
Lichfield Road
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Consolidated Statement of Comprehensive Income

For six months ended 30 September 2013
(Unaudited)

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Revenue	65,902	60,401	122,215
Cost of sales	<u>(48,224)</u>	<u>(43,881)</u>	<u>(90,479)</u>
Gross profit	17,678	16,520	31,736
Distribution costs	(999)	(791)	(1,553)
Administrative expenses			
Excluding exceptional	(7,208)	(6,683)	(11,481)
Exceptional	-	-	149
Total administrative expenses	<u>(7,208)</u>	<u>(6,683)</u>	<u>(11,332)</u>
Profit from operations	9,471	9,046	18,851
Finance income	<u>102</u>	<u>65</u>	<u>306</u>
Profit before income tax	9,573	9,111	19,157
Income tax expense	<u>(2,202)</u>	<u>(2,187)</u>	<u>(4,371)</u>
Profit for the period attributable to the equity holders of the parent company	7,371	6,924	14,786
Other comprehensive income/(expense) for the period:			
Change in fair value of available for sale financial assets	17	(13)	4
Net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes	-	-	(138)
Tax effect of gains and losses recognised directly in equity	<u>(4)</u>	<u>3</u>	<u>(1)</u>
Total other comprehensive income/(loss) for the period (net of tax)	<u>13</u>	<u>(10)</u>	<u>(135)</u>
Total comprehensive income for the period attributable to the equity holders of the parent company	<u>7,384</u>	<u>6,914</u>	<u>14,651</u>
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	<u>16.89p</u>	<u>15.87p</u>	<u>33.89p</u>

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Consolidated Balance Sheet

30 September 2013
(Unaudited)

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	63,507	61,306	61,676
Financial assets	511	482	494
	<u>64,018</u>	<u>61,788</u>	<u>62,170</u>
Current assets			
Inventories	9,932	10,330	10,642
Trade and other receivables	35,090	30,269	33,326
Other current interest-bearing deposits	-	5,000	5,000
Cash and cash equivalents	25,750	14,593	18,654
	<u>70,772</u>	<u>60,192</u>	<u>67,622</u>
Total assets	<u>134,790</u>	<u>121,980</u>	<u>129,792</u>
LIABILITIES			
Current liabilities			
Trade and other payables	22,008	18,462	19,686
Current tax liabilities	2,226	2,192	2,950
	<u>24,234</u>	<u>20,654</u>	<u>22,636</u>
Non-current liabilities			
Deferred tax liabilities	5,158	5,665	5,058
Total liabilities	<u>29,392</u>	<u>26,319</u>	<u>27,694</u>
Net assets	<u>105,398</u>	<u>95,661</u>	<u>102,098</u>
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	100,148	90,411	96,848
Total equity	<u>105,398</u>	<u>95,661</u>	<u>102,098</u>

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Consolidated Cash Flow Statement

For six months ended 30 September 2013
(Unaudited)

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Cash flows from operating activities			
Profit before income tax	9,573	9,111	19,157
Adjustments for:			
Depreciation	2,914	2,880	7,416
Profit on sale of property, plant and equipment	-	-	(19)
Finance income	(102)	(65)	(306)
Excess of employer pension contributions over income statement charge	-	-	(138)
Decrease/(increase) in inventories	710	(1,020)	(1,332)
(Increase) in receivables	(1,764)	(78)	(3,135)
Increase/(decrease) in payables	2,322	(401)	823
Cash generated from operating activities	13,653	10,427	22,466
Tax paid	(2,830)	(2,887)	(4,925)
Interest received	90	53	285
Net cash generated from operating activities	10,913	7,593	17,826
Cash flows from investing activities			
Dividends received from listed investments	12	12	21
Purchase of property, plant and equipment	(4,745)	(1,960)	(6,865)
Proceeds from disposal of property, plant and equipment	-	-	19
Transfer from/(to) to other current interest- bearing deposits	5,000	(5,000)	(5,000)
Proceeds from disposal of financial assets	-	-	5
Net cash inflow from/(used in) investing activities	267	(6,948)	(11,820)
Cash flow from financing activities			
Dividends paid to shareholders	(4,084)	(3,857)	(5,157)
Net cash used in financing activities	(4,084)	(3,857)	(5,157)
Net increase/(decrease) in cash and cash equivalents	7,096	(3,212)	849
Cash and cash equivalents at beginning of period	18,654	17,805	17,805
Cash and cash equivalents at end of period	25,750	14,593	18,654

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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 2013	4,363	874	13	96,848	102,098
Total comprehensive income for the period ended 30 September 2013	-	-	-	7,384	7,384
Dividends	-	-	-	(4,084)	(4,084)
At 30 September 2013	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>100,148</u>	<u>105,398</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 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 2012	4,363	874	13	87,354	92,604
Total comprehensive income for the year ended 31 March 2013	-	-	-	14,651	14,651
Dividends	-	-	-	(5,157)	(5,157)
At 31 March 2013	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>96,848</u>	<u>102,098</u>

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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 2013 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 2013 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2013 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 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.

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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 2013

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	57,411	8,491	-	65,902
Inter-segmental revenue	11,304	6,449	-	17,753
Segmental result	7,181	2,290	-	9,471
Unallocated income: Finance income				102
Profit before income tax				9,573
Total assets	122,459	30,323	(17,993)	134,790
Non-current asset additions	1,583	3,162	-	4,745
Depreciation	1,422	1,492	-	2,914

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2012.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
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

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The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2013.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	106,674	15,541	-	122,215
Inter-segmental revenue	19,166	11,615	-	30,781
Segmental result	14,656	3,803	105	18,564
Unallocated income:				
Exceptional credit for the recovery of Icelandic deposits previously written off				149
Excess of employer pension contributions over statement of comprehensive income charge				138
Finance income				306
Profit before income tax				19,157
Total assets	114,690	27,575	(12,473)	129,792
Non-current asset additions	1,141	5,724	-	6,865
Depreciation	4,169	3,247	-	7,416

5. DIVIDENDS

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 £'000
Final dividend of 9.36p for the year ended 31 March 2013 (2012 – 8.84p) per share	4,084	3,857

The directors have declared an interim dividend in respect of the financial year ending 31 March 2014 of 3.13p per share (2013 - 2.98p), which will be paid on 3 January 2014.

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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 2013 £'000	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Profit after tax	<u>7,371</u>	<u>6,924</u>	<u>14,786</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>16.89p</u>	<u>15.87p</u>	<u>33.89p</u>

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

	Half year to 30 September 2013 £'000	Half year to 30 September 2012 £'000	Year to 31 March 2013 £'000
Cash and cash equivalents	25,750	14,593	18,654
Other current interest-bearing deposits	<u>-</u>	<u>5,000</u>	<u>5,000</u>
	<u>25,750</u>	<u>19,593</u>	<u>23,654</u>

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

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 plc are listed on the following page.

By order of the Board

S J Mant FCA
Group Finance Director
15 November 2013

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Directors and Officers

Directors B. J. Cooke, AdvDipNFC, FICME Chairman
D. J. Gawthorpe, BSc (Hons), MICME Chief Executive
S. J. Mant, BSocSc (Hons), FCA Group Finance Director
M. A. Lewis, Managing Director, CNC Speedwell Ltd
G. Cooper, BSc (Hons) C.Eng, MICME Managing Director, William Lee Ltd
A. Vicary, B.Eng MSc, FICME Managing Director, Brownhills
G. B. Wainwright, MCMI, MIEEx, FRSA Senior Independent Non-executive
C. P. King, FCA Non-executive
A. N. Jones, BA (Hons), FCA Non executive

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