

Castings P.L.C.

Interim Management Report

Sales for the six months ended 30 September 2014 were £63.6m (2013 - £65.9m) with profit before tax of £8.34m (2013 - £9.57m).

It was reported at our Annual General Meeting in August that sales were below our expectations. Market forecasts of an increase in volumes in the third quarter of 2014 did not materialise. Forward schedules suggest a reduction in demand.

With the increasing concern over the strength of the recovery in Europe it is difficult to forecast the outcome for the remainder of the year. However, the directors anticipate that the year end results will be in-line with current market expectations.

An interim dividend of 3.22 pence per share has been declared and will be paid on 2 January 2015 to shareholders who are on the register at 28 November 2014.

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 2014. A detailed explanation of the risks relevant to the group is on pages 6 and 7 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
14 November 2014

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

For six months ended 30 September 2014

	Unaudited Half year to 30 September 2014 £'000	Unaudited Half year to 30 September 2013 £'000	Audited Year to 31 March 2014 £'000
Revenue	63,596	65,902	137,466
Cost of sales	(47,850)	(49,330)	(101,424)
Gross profit	15,746	16,572	36,042
Distribution costs	(1,062)	(999)	(2,722)
Administrative expenses	(6,422)	(6,102)	(12,034)
Excluding exceptional	-	-	363
Exceptional	-	-	-
Total administrative expenses	(6,422)	(6,102)	(11,671)
Profit from operations	8,262	9,471	21,649
Finance income	81	102	184
Profit before income tax	8,343	9,573	21,833
Income tax expense	(1,752)	(2,202)	(4,575)
Profit for the period attributable to the equity holders of the parent company	6,591	7,371	17,258
Other comprehensive income/(expense) for the period:			
Items that will not be reclassified to profit and loss:			
Net actuarial loss and movement in unrecognised surplus on defined benefit pension schemes	-	-	(3,872)
Tax effect of items that will not be reclassified	-	-	853
	-	-	(3,019)
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of available for sale financial assets	(39)	17	28
Tax effect of items that may be reclassified	8	(4)	(6)
	(31)	13	22
Total other comprehensive (losses)/income for the period (net of tax)	(31)	13	(2,997)
Total comprehensive income for the period attributable to the equity holders of the parent company	6,560	7,384	14,261
Earnings per share attributable to the equity holders of the parent company			
Basic and diluted	15.11p	16.89p	39.55p

Consolidated Balance Sheet
30 September 2014

	Unaudited 30 September 2014 £'000	Unaudited 30 September 2013 £'000	Audited 31 March 2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	66,774	63,507	65,195
Financial assets	483	511	522
	<u>67,257</u>	<u>64,018</u>	<u>65,717</u>
Current assets			
Inventories	14,086	9,932	12,621
Trade and other receivables	33,417	35,090	32,753
Cash and cash equivalents	24,671	25,750	27,780
	<u>72,174</u>	<u>70,772</u>	<u>73,154</u>
Total assets	<u>139,431</u>	<u>134,790</u>	<u>138,871</u>
LIABILITIES			
Current liabilities			
Trade and other payables	20,247	22,008	21,076
Current tax liabilities	1,658	2,226	2,615
	<u>21,905</u>	<u>24,234</u>	<u>23,691</u>
Non-current liabilities			
Deferred tax liabilities	4,346	5,158	4,271
Total liabilities	<u>26,251</u>	<u>29,392</u>	<u>27,962</u>
Net assets	<u>113,180</u>	<u>105,398</u>	<u>110,909</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	107,930	100,148	105,659
Total equity	<u>113,180</u>	<u>105,398</u>	<u>110,909</u>

Consolidated Cash Flow Statement
For six months ended 30 September 2014

	Unaudited Half year to 30 September 2014 £'000	Unaudited Half year to 30 September 2013 £'000	Audited Year to 31 March 2014 £'000
Cash flows from operating activities			
Profit before income tax	8,343	9,573	21,833
Adjustments for:			
Depreciation	3,173	2,914	6,046
Loss on sale of property, plant and equipment	-	-	94
Finance income	(81)	(102)	(184)
Excess of employer pension contributions over income statement charge	-	-	(3,872)
(Increase)/decrease in inventories	(1,465)	710	(1,979)
(Increase)/decrease in receivables	(664)	(1,764)	573
(Decrease)/increase in payables	(829)	2,322	1,390
Cash generated from operating activities	8,477	13,653	23,901
Tax paid	(2,626)	(2,830)	(4,850)
Interest received	69	90	162
Net cash generated from operating activities	5,920	10,913	19,213
Cash flows from investing activities			
Dividends received from listed investments	12	12	22
Purchase of property, plant and equipment	(4,752)	(4,745)	(9,668)
Proceeds from disposal of property, plant and equipment	-	-	9
Transfer from other current interest-bearing deposits	-	5,000	5,000
Net cash (used in)/ inflow from investing activities	(4,740)	267	(4,637)
Cash flow from financing activities			
Dividends paid to shareholders	(4,289)	(4,084)	(5,450)
Net cash used in financing activities	(4,289)	(4,084)	(5,450)
Net (decrease)/increase in cash and cash equivalents	(3,109)	7,096	9,126
Cash and cash equivalents at beginning of period	27,780	18,654	18,654
Cash and cash equivalents at end of period	24,671	25,750	27,780
Cash and cash equivalents:			
Short-term deposits	22,012	24,599	27,113
Cash available on demand	2,659	1,151	667
	24,671	25,750	27,780

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 2014	4,363	874	13	105,659	110,909
Total comprehensive income for the period ended 30 September 2014	-	-	-	6,560	6,560
Dividends	-	-	-	(4,289)	(4,289)
At 30 September 2014	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>107,930</u>	<u>113,180</u>

	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>

	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 2013	4,363	874	13	96,848	102,098
Total comprehensive income for the year ended 31 March 2014	-	-	-	14,261	14,261
Dividends	-	-	-	(5,450)	(5,450)
At 31 March 2014	<u>4,363</u>	<u>874</u>	<u>13</u>	<u>105,569</u>	<u>110,909</u>

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 2014 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 2014 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2014 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2014 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 be the 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 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	<u>6,418</u>	<u>1,844</u>	-	<u>8,262</u>
Unallocated income: Finance income				<u>81</u>
Profit before income tax				<u>8,343</u>
Total assets	<u>123,117</u>	<u>32,517</u>	<u>(16,203)</u>	<u>139,431</u>
Non-current asset additions	<u>3,106</u>	<u>1,646</u>	-	<u>4,752</u>
Depreciation	<u>1,555</u>	<u>1,618</u>	-	<u>3,173</u>

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	<u>7,181</u>	<u>2,290</u>	-	<u>9,471</u>
Unallocated income: Finance income				<u>102</u>
Profit before income tax				<u>9,573</u>
Total assets	<u>122,459</u>	<u>30,323</u>	<u>(17,992)</u>	<u>134,790</u>
Non-current asset additions	<u>1,583</u>	<u>3,162</u>	-	<u>4,745</u>
Depreciation	<u>1,422</u>	<u>1,492</u>	-	<u>2,914</u>

The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2014.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	119,893	17,573	-	137,466
Inter-segmental revenue	23,070	13,915	-	36,985
Segmental result	<u>16,225</u>	<u>5,187</u>	-	<u>21,412</u>
Unallocated income:				
Exceptional credit for the recovery of Icelandic deposits previously written off				363
Defined benefit pension cost				(126)
Finance income				<u>184</u>
Profit before income tax				<u>21,833</u>
Total assets	<u>121,153</u>	<u>30,529</u>	<u>(12,881)</u>	<u>138,871</u>
Non-current asset additions	<u>3,531</u>	<u>6,137</u>	-	<u>9,668</u>
Depreciation	<u>3,031</u>	<u>3,015</u>	-	<u>6,046</u>

5. DIVIDENDS

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2014 £'000	Half year to 30 September 2013 £'000
Final dividend of 9.83p for the year ended 31 March 2014 (2013 – 9.36p) per share	<u>4,289</u>	<u>4,084</u>

The directors have declared an interim dividend in respect of the financial year ending 31 March 2015 of 3.22p per share (2014 – 3.13p), which will be paid on 2 January 2015.

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 2014 £'000	Half year to 30 September 2013 £'000	Year to 31 March 2014 £'000
Profit after tax	<u>6,591</u>	<u>7,371</u>	<u>17,258</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>15.11p</u>	<u>16.89p</u>	<u>39.55p</u>

7. 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
14 November 2014