

CASTINGS PLC
INTERIM MANAGEMENT REPORT
Six months ended 30 September 2023

Interim Management Report

Overview

Sales for the six months ended 30 September 2023 were £111.3 million (2022 - £85.6 million) with profit before tax of £10.3 million (2022 - £7.5 million).

During the period, the underlying demand for heavy trucks (approximately 80% of group revenue) has been strong and this continues to be reflected in the forward schedules that our OEM customers are providing. We have also seen continued progression in our other growth sectors of wind energy, rail, trailer braking and trailer coupling, as well as increasing opportunities to supply parts into the US market.

Input prices have stabilised in the current year and in some areas we are seeing slight reductions. The higher unit cost for electricity, following the end of a fixed contract on 30 September 2022, continues to be surcharged to our customers. This does not adversely affect group profit as it is a pass-through of a direct cost increase but does increase revenue in the six month period compared to the same period last year.

Foundry operations

Output during the period was up 1.6% at 25,500 tonnes (2022 - 25,100 tonnes) and external sales revenue was up by 30.6% to £110.6 million. Of the output weight for the period, 62.1% related to machined castings compared to 57.4% in the previous period, reflecting the continuing demand trend for more processed and value-add parts.

The profit from the foundry segment of £7.7 million compares to £7.8 million in the equivalent period last year. This represents a margin on external sales of 7.0% compared to 9.2% in the prior period. The most significant impact on the margin percentage has been the pass-through impact of cost rises, along with some production inefficiencies due to high demand and production rebalancing.

The high level of demand, both current and forecast, is in excess of our current foundry production capacity. As a result, in collaboration with our customers, we have outsourced some production to other foundries for the short-term.

As a more strategic and longer-term solution, the board has approved a new foundry production line at our William Lee site. It is anticipated that the new line will be commissioned within two years, at a cost of around £17 million, to be funded from internal resources, and will add up to 12,000 tonnes of additional gross foundry capacity. The additional facility will enable us to satisfy demand for our current heavy truck parts, as well as providing capacity to take advantage of new and growing market areas such as truck electrification, wind energy and further opportunities in the US.

Machining operation

CNC Speedwell continues its focus on group work and has therefore seen a reduction in external revenue to £0.8 million. The company reported a profit of £1.9 million compared to a loss of £0.5 million in the previous period.

The business returned to profitability in the final quarter of the last financial year and it is pleasing to report that this has continued in each month of the current period. This demonstrates the impact of consistently high volumes in a period and also reflects the benefits of the new parts introduced last year and the adjustment of prices to pass on recent inflationary cost rises.

Investment of £1.5 million in the period includes the second phase of the cooling plant energy efficiency initiative and also the start of a gradual machine replacement programme.

Outlook

The long-term demand schedules continue to reflect the high build rates that the heavy truck OEMs require to satisfy their order books.

We expect production and supply efficiencies to improve with the short-term outsourcing of foundry parts and the continued focus on the engineering of the new parts that have been introduced in the machine shop. Management believes that the company will trade marginally ahead of market expectations.

The group maintains a very strong balance sheet with cash levels of £31.3 million. Free cash flow during the period was £8.5 million which was used to pay dividends totalling £12.4 million (including a supplementary dividend of £6.5 million).

Dividend

An interim dividend of 4.13 pence per share has been declared and will be paid on 4 January 2024 to shareholders who are on the register at 24 November 2023.

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 to 11 of the Annual Report for the year ended 31 March 2023.

The risks identified are in respect of market and customer concentration; competition, product quality, foreign exchange and technological change risks within the export-dominated commercial vehicle sector; risk of disruption to supply of raw materials or the availability of capital equipment and the price risk of input costs; and regulatory and environmental compliance risks.

Brian Cooke

As reported in the Annual Report, after nearly sixty three years with the company, of which forty were as Chairman, Brian Cooke stood down as a director of the company on 15 August 2023.

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

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

A. N. Jones
Chairman
14 November 2023

Castings P.L.C.
Lichfield Road
Brownhills
West Midlands
WS8 6JZ

Consolidated Statement of Comprehensive Income

For six months ended 30 September 2023

	Unaudited Half year to 30 September 2023 £'000	Unaudited Half year to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Revenue	111,333	85,600	200,990
Cost of sales	(90,031)	(68,265)	(162,077)
Gross profit	21,302	17,335	38,913
Distribution costs	(2,434)	(2,471)	(5,440)
Administrative expenses	(9,260)	(7,515)	(17,104)
Profit from operations	9,608	7,349	16,369
Finance income	648	104	344
Profit before income tax	10,256	7,453	16,713
Income tax expense	(2,564)	(1,414)	(2,923)
Profit for the period attributable to the equity holders of the parent company	7,692	6,039	13,790
Other comprehensive (losses)/income 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	-	-	117
	-	-	117
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of financial assets	-	(77)	(40)
Tax effect of items that may be reclassified	-	15	10
	-	(62)	(30)
Total other comprehensive (losses)/income for the period (net of tax)	-	(62)	87
Total comprehensive income for the period attributable to the equity holders of the parent company	7,692	5,977	13,877
Earnings per share attributable to the equity holders of the parent company			
Basic	17.68p	13.86p	31.66p
Diluted	17.62p	13.83p	31.58p

Consolidated Balance Sheet

As at 30 September 2023

	Unaudited 30 September 2023 £'000	Unaudited 30 September 2022 £'000	Audited 31 March 2023 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	61,199	62,236	60,353
Financial assets	372	318	356
	61,571	62,554	60,709
Current assets			
Inventories	23,654	24,699	26,095
Trade and other receivables	49,484	41,861	51,080
Current tax asset	176	556	980
Cash and cash equivalents	31,262	25,592	35,566
	104,576	92,708	113,721
Total assets	166,147	155,262	174,430
LIABILITIES			
Current liabilities			
Trade and other payables	33,608	24,611	37,051
	33,608	24,611	37,051
Non-current liabilities			
Deferred tax liabilities	5,924	5,278	5,719
	5,924	5,278	5,719

Total liabilities	£9,532	£9,889	£2,110
Net assets	126,615	125,373	131,660
Equity attributable to equity holders of the parent company			
Share capital	4,363	4,363	4,363
Share premium account	874	874	874
Treasury shares	(627)	(231)	(231)
Other reserve	13	13	13
Retained earnings	121,992	120,354	126,641
Total equity	126,615	125,373	131,660

Consolidated Cash Flow Statement

For six months ended 30 September 2023

	Unaudited	Half year to	Unaudited	Audited
		30 September	Half year to	Year to
			30 September	31 March
			2023	2022
			£'000	£'000
Cash flows from operating activities				
Profit before income tax	10,256		7,453	16,713
Adjustments for:				
Depreciation	3,921		3,996	8,646
Finance income	(648)		(104)	(344)
Equity settled share-based payment expense	73		59	119
Pension administrative costs	-		-	117
Change in fair value of financial assets	(16)		-	-
Decrease/(increase) in inventories	2,441		1,190	(206)
Decrease/(increase) in receivables	2,659		(919)	(11,200)
(Decrease)/increase in payables	(3,443)		(3,866)	8,574
Cash generated from operating activities	15,243		7,809	22,419
Tax paid	(1,555)		(1,407)	(2,904)
Interest received	642		95	327
Net cash generated from operating activities	14,330		6,497	19,842
Cash flows from investing activities				
Dividends received from listed investments	6		9	17
Purchase of property, plant and equipment	(4,767)		(3,430)	(6,198)
Repayments from pension schemes	-		-	2,114
Advances to pension schemes	(1,063)		(1,068)	(2,120)
Net cash used in investing activities	(5,824)		(4,489)	(6,187)
Cash flow from financing activities				
Dividends paid to shareholders	(12,414)		(12,009)	(13,682)
Purchase of own shares	(396)		(152)	(152)
Net cash used in financing activities	(12,810)		(12,161)	(13,834)
Net decrease in cash and cash equivalents	(4,304)		(10,153)	(179)
Cash and cash equivalents at beginning of period	35,566		35,745	35,745
Cash and cash equivalents at end of period	31,262		25,592	35,566
Cash and cash equivalents:				
Short-term deposits	13,967		11,627	19,993
Cash available on demand	17,295		13,965	15,573
	31,262		25,592	35,566

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent				
	Share capital	Share premium	Treasury shares	Other reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000
Unaudited					
At 1 April 2023	4,363	874	(231)	13	126,641
Profit for the period	-	-	-	-	7,692
Total comprehensive income for the period ended 30 September 2023	-	-	-	-	7,692
Shares acquired during the period	-	-	(396)	-	(396)
Equity-settled share-based payments	-	-	-	-	73
Dividends	-	-	-	-	(12,414)
At 30 September 2023	4,363	874	(627)	13	121,992
					126,615
Unaudited					
At 1 April 2022	4,363	874	(79)	13	126,327
Profit for the period	-	-	-	-	6,039
Other comprehensive income/(losses):					
Change in fair value of financial assets	-	-	-	-	(77)
Tax effect of items taken directly to reserves	-	-	-	-	15
Total comprehensive income for the period ended 30 September 2022	-	-	-	-	5,977
Shares acquired during the period	-	-	(152)	-	(152)
Equity-settled share-based payments	-	-	-	-	59
Dividends	-	-	-	-	(12,009)
At 30 September 2022	4,363	874	(231)	13	120,354
					125,373
Audited					

Audited	£ '000	£ '000				
At 1 April 2022	4,363	874	(79)	13	126,327	131,498
Profit for the year	-	-	-	-	13,790	13,790
Other comprehensive income/(losses):						
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	-	-	-	-	117	117
Change in fair value of financial assets	-	-	-	-	(40)	(40)
Tax effect of items taken directly to reserves	-	-	-	-	10	10
Total comprehensive income for the year	-	-	-	-	13,877	13,877
Shares acquired in the year	-	-	(152)	-	-	(152)
Equity-settled share-based payments	-	-	-	-	119	119
Dividends	-	-	-	-	(13,682)	(13,682)
At 31 March 2023	4,363	874	(231)	13	126,641	131,660

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 2023 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 2023 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2023 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2023 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 Financial Reporting Council guidance on Review of Interim Financial Information.

2. Accounting policies

The annual financial statements of Castings P.L.C. are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK.

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 cyclical 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.

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2023.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	110,566	767	-	111,333
Inter-segmental revenue	14,339	17,441	-	31,780
Segmental result	7,685	1,923	-	9,608
Unallocated income:				
Finance income				648
Profit before income tax				10,256
Total assets	155,677	29,144	(18,674)	166,147
Non-current asset additions	3,239	1,528	-	4,767
Depreciation	2,294	1,627	-	3,921
Total liabilities	(43,098)	(7,273)	10,839	(39,532)

The following shows the revenues, results and total assets by reportable segment for the half year to 30 September 2022.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	84,676	924	-	85,600
Inter-segmental revenue	10,309	9,773	-	20,082
Segmental result	7,818	(469)	-	7,349
Unallocated income:				
Finance income				104
Profit before income tax				7,453
Total assets	141,547	25,594	(11,879)	155,262
Non-current asset additions	2,820	610	-	3,430
Depreciation	2,381	1,615	-	3,996
Total liabilities	(88,720)	(16,200)	5,442	(100,200)

Total liabilities	(£8,133)	(£5,299)	5,143	(£9,889)
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The following shows the revenues, results and total assets by reportable segment for the year ended 31 March 2023.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	198,972	2,018	-	200,990
Inter-segmental revenue	24,739	25,640	-	50,379
Segmental result	16,332	169	(15)	16,486
Unallocated costs:				
Defined benefit pension cost				(117)
Finance income				344
Profit before income tax				16,713
Total assets	162,671	26,687	(14,928)	174,430
Non-current asset additions	4,826	1,372	-	6,198
Depreciation	5,235	3,411	-	8,646
Total liabilities	(45,668)	(6,759)	9,657	(42,770)

5. Dividends

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2023 £'000	Half year to 30 September 2022 £'000
Final dividend of 13.51p per share for the year ended 31 March 2023 (2022 - 12.57p per share)	5,880	5,475
Supplementary dividend of 15p per share for the year ended 31 March 2023 (2022 - 15p per share)	6,534	6,534
	12,414	12,009

The directors have declared an interim dividend in respect of the financial year ending 31 March 2024 of 4.13 pence per share (2023 - 3.84 pence), which will be paid on 4 January 2024.

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

	Unaudited Half year to 30 September 2023	Unaudited Half year to 30 September 2022	Audited Year to 31 March 2023
Profit after tax (£'000)	7,692	6,039	13,790
Weighted average number of shares - basic calculation	43,518,814	43,565,115	43,561,593
Weighted average number of shares - diluted calculation	43,666,343	43,675,024	43,671,502
Earnings per share - basic	17.68p	13.86p	31.66p
Earnings per share - diluted	17.62p	13.83p	31.58p

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. Both schemes are in surplus with the combined position at 31 March 2023 being an unrecognised surplus of £10,413,000.

The pension schemes are related parties of the group and during the period £1,063,000 (2022 - £1,068,000) was paid by the group on behalf of the schemes in respect of pension payments and administration costs. At 30 September 2023, the outstanding balance of £3,183,000 (2022 - £3,182,000) is repayable within one year.

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 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. Mart
Group Finance Director
14 November 2023

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