

Castings PLC
INTERIM MANAGEMENT REPORT
Six months ended 30 September 2024

Interim Management Report

Overview

Sales for the six months ended 30 September 2024 were £89.2 million (2023 - £111.3 million) with profit before tax of £4.1 million (2023 - £10.3 million), in line with management expectations.

As previously announced, during the period the underlying demand for heavy trucks (approximately 75% of group revenue) has remained at lower levels relative to the elevated demand for most of the year ended 31 March 2024. OEM customers have reported demand normalisation throughout the period which, as expected, has flowed through to the schedule reductions we have seen from them. The US market is a notable exception where we have seen increased penetration with existing customers.

Following the asset purchase from administration on 14 June 2024, the Castings Ductile business in Scunthorpe commenced production in early July and it is pleasing to report that business is now trading profitably.

The expected cost of the new foundry production line being installed at our Dronfield site remains in line with budget and is still expected to be complete in summer 2025.

Foundry operations

Output during the period was 20,800 tonnes compared to 25,500 tonnes in the previous period, a reduction of 18.4% (19.6% on a like-for-like basis excluding Castings Ductile) and external sales revenue was down by 19.9% to £88.6 million. Of the output weight for the period, 65.0% related to machined castings compared to 62.1% in the previous period, reflecting the continuing demand trend for more machined and value-add parts.

The profit from the foundry segment of £2.4 million compares to £7.7 million in the equivalent period last year. This represents a margin on external sales of 2.7% compared to 7.0% in the prior period. On a like-for-like basis, the margin on external sales was 3.3%.

Profitability in the period reflects the lower levels of sales and the time-lag to realise the benefits of the actions taken to right size the cost base. Management believe that the necessary actions have now been taken such that the foundries can operate more efficiently at the lower levels of demand during the second half of the year. Importantly, the changes have not been of a structural nature and so can be quickly reversed to take advantage of the upturn in volumes when they come through.

The new facility being constructed at our William Lee site is progressing well. The additional capacity 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. We are also in the process of setting up a third-party warehouse in the US to enable further growth in North America.

The Castings Ductile business in Scunthorpe, formed after certain assets were purchased from administration on 14 June 2024, has integrated into the group well. It reported a loss in the period of £0.4 million but it was profitable in only its third month of trading. The first priority was to win orders from its historical customers and the focus now is to grow the volumes to make greater use of the existing capacity and increase productivity. This business, producing castings up to 7 tonnes, allows the group to expand its offering to existing customers particularly in the areas of power generation (gas and wind) and infrastructure spending.

We have invested just under £8 million in the foundry businesses during the period, which includes £3.2 million of assets brought into use and £4.8 million of project stage payments. In addition to the new foundry line, investment has been focussed on upgrading existing equipment as well as expanding processing robotics.

Machining operation

CNC Speedwell has seen a reduction in total revenue of 11.4% to £16.1 million with external revenue falling 20.2% to £0.6 million. The company reported a profit of £1.1 million compared to £1.9 million in the previous period.

Given the high investment levels and the capital-intensive nature of the machining business, the lower volumes have a significant impact on profitability. Overall, the margin on total sales fell from 10.6% to 6.6%.

Investment of £2.6 million in the period (including £0.7 million of deposits from the previous financial year) has been focussed on replacing older machine types with more efficient, technologically advanced machining centres. This phase of the machine replacement programme is broadly complete for this financial year.

Balance sheet

The group maintains a strong balance sheet with cash levels of over £16 million. These have reduced in the period due to the payment of dividends totalling £9.2 million (including a supplementary dividend of £3 million) and the foundry capacity investment.

Sustainability report

The company is pleased to announce the publication of its first Sustainability Report which is available on the company's website (www.castings.plc.uk).

Outlook

The demand schedules for the remainder of this financial year continue to reflect the lower build rates that the heavy truck OEMs have reported.

We expect production efficiencies to improve in the second half of the year with the businesses having adjusted to the lower demand patterns. Assuming no material further reduction in demand schedules, management believes that

the company will trade in line with market expectations for the full year.

In the medium-term, there continues to be opportunities for growth including new parts being quoted for our existing heavy-truck customers, greater reach in the US aided by a new warehousing arrangement, the expansion of the customer base at our larger casting facility and the offshore energy, agriculture and rail markets.

Dividend

An interim dividend of 4.21 pence per share (2023 - 4.13 pence) has been declared and will be paid on 2 January 2025 to shareholders who are on the register at 22 November 2024.

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 2024. The risks identified are in respect of markets and competition; customer concentration; technological change risks within the export-dominated commercial vehicle sector competition; product quality; foreign exchange; risk of disruption to supply of raw materials or the availability of capital equipment and the price risk of input costs; information technology; and regulatory and environmental compliance risks.

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.
A. N. Jones
Lichfield Road
Chairman
Brownhills
13 November 2024
West Midlands
WS8 6JZ

Consolidated Statement of Comprehensive Income **For six months ended 30 September 2024**

	Unaudited Half year to 30 September 2024 £'000	Unaudited Half year to 30 September 2023 £'000	Audited Year to 31 March 2024 £'000
Revenue	89,180	111,333	224,414
Cost of sales	(74,183)	(90,031)	(181,124)
Gross profit	14,997	21,302	43,290
Distribution costs	(1,679)	(2,434)	(4,694)
Administrative expenses	(9,822)	(9,260)	(18,837)
Profit from operations	3,496	9,608	19,759
Finance income	652	648	1,527
Finance expenses	(37)	-	-
Profit before income tax	4,111	10,256	21,286
Income tax expense	(1,037)	(2,564)	(4,565)
Profit for the period attributable to the equity holders of the parent company	3,074	7,692	16,721
Other comprehensive 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	-	-	112
	-	-	112
Total other comprehensive income for the period (net of tax)	-	-	112
Total comprehensive income for the period attributable to the equity holders of the parent company	3,074	7,692	16,833
Earnings per share attributable to the equity holders of the parent company			
Basic	7.07p	17.68p	38.45p
Diluted	7.04p	17.62p	38.32p

Consolidated Balance Sheet **As at 30 September 2024**

	Unaudited 30 September 2024 £'000	Unaudited 30 September 2023 £'000	Audited 31 March 2024 £'000
ASSETS			

Non-current assets			
Property, plant and equipment	63,446	61,199	61,799
Right-of-use assets	1,911	-	-
Financial assets	-	372	-
	65,357	61,571	61,799
Current assets			
Inventories	33,604	23,654	33,136
Trade and other receivables	48,378	49,484	46,593
Current tax assets	-	176	-
Cash and cash equivalents	16,354	31,262	32,527
	98,336	104,576	112,256
Total assets	163,693	166,147	174,055
LIABILITIES			
Current liabilities			
Trade and other payables	26,729	33,608	33,329
Lease liabilities	226	-	-
Current tax liabilities	872	-	706
	27,827	33,608	34,035
Non-current liabilities			
Lease liabilities	1,707	-	-
Deferred tax liabilities	6,237	5,924	6,030
	7,944	5,924	6,030
Total liabilities	35,771	39,532	40,065
Net assets	127,922	126,615	133,990
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)	(627)	(627)
Other reserve	13	13	13
Retained earnings	123,299	121,992	129,367
Total equity	127,922	126,615	133,990

Consolidated Cash Flow Statement
For six months ended 30 September 2024

	Unaudited 30 September 2024 £'000	Unaudited 30 September 2023 £'000	Audited 31 March 2024 £'000
Cash flows from operating activities			
Profit before income tax	4,111	10,256	21,286
Adjustments for:			
Depreciation of property, plant and equipment and right of use assets	4,195	3,921	8,851
Loss on disposal of property, plant and equipment	-	-	25
Finance income	(652)	(648)	(1,527)
Finance expenses	37	-	-
Equity-settled share-based payment expense	67	73	102
Change in fair value of financial assets	-	(16)	-
Pension administrative costs	-	-	112
Operating cash flow before changes in working capital	7,758	13,602	28,849
(Increase)/decrease in inventories	(468)	2,441	(7,041)
(Increase)/decrease in receivables	(663)	2,659	4,486
Decrease in payables	(5,668)	(3,443)	(4,651)
Cash generated from operating activities	959	15,243	21,643
Tax paid	(664)	(1,555)	(2,568)
Interest received	648	642	1,474
Net cash generated from operating activities	943	14,330	20,549
Cash flows from investing activities			
Dividends received from listed investments	4	6	12
Purchase of property, plant and equipment	(6,752)	(4,767)	(9,584)
Proceeds from disposal of property, plant and equipment	-	-	191
Proceeds from sale of financial assets	-	-	397
Repayments from pension schemes	-	-	2,120
Advances to pension schemes	(1,122)	(1,063)	(2,119)
Net cash used in investing activities	(7,870)	(5,824)	(8,983)
Cash flow from financing activities			
Dividends paid to shareholders	(9,209)	(12,414)	(14,209)
Interest on leases	(37)	-	-
Purchase of own shares	-	(396)	(396)
Net cash used in financing activities	(9,246)	(12,810)	(14,605)
Net decrease in cash and cash equivalents	(16,173)	(4,304)	(3,039)
Cash and cash equivalents at beginning of period	32,527	35,566	35,566
Cash and cash equivalents at end of period	16,354	31,262	32,527

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent				
	Share capital	Share premium	Treasury shares	Other reserve	Retained earnings
					Total equity

Unaudited	Capital £000	Premium £000	Shares £000	Reserve £000	Earnings £000	Equity £000
At 1 April 2024	4,363	874	(627)	13	129,367	133,990
Profit for the period	-	-	-	-	3,074	3,074
Total comprehensive income for the period ended						
30 September 2024	-	-	-	-	3,074	3,074
Equity-settled share-based payments	-	-	-	-	67	67
Dividends	-	-	-	-	(9,209)	(9,209)
30 September 2024	4,363	874	(627)	13	123,299	127,922

Unaudited	Share capital £000	Share premium £000	Treasury shares £000	Other reserve £000	Retained earnings £000	Total equity £000
At 1 April 2023	4,363	874	(231)	13	126,641	131,660
Profit for the period	-	-	-	-	7,692	7,692
Total comprehensive income for the period ended 30 September 2023	-	-	-	-	7,692	7,692
Shares acquired during the period	-	-	(396)	-	-	(396)
Equity-settled share-based payments	-	-	-	-	73	73
Dividends	-	-	-	-	(12,414)	(12,414)
At 30 September 2023	4,363	874	(627)	13	121,992	126,615

Audited	Share capital £000	Share premium £000	Treasury shares £000	Other reserve £000	Retained earnings £000	Total equity £000
At 1 April 2023	4,363	874	(231)	13	126,641	131,660
Profit for the year	-	-	-	-	16,721	16,721
Other comprehensive income:						
Movement in unrecognised surplus on defined benefit pension schemes net of actuarial gains and losses	-	-	-	-	112	112
Total comprehensive income for the year	-	-	-	-	16,833	16,833
Shares acquired in the year	-	-	(396)	-	-	(396)
Equity-settled share-based payments	-	-	-	-	102	102
Dividends	-	-	-	-	(14,209)	(14,209)
At 31 March 2024	4,363	874	(627)	13	129,367	133,990

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 2024 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 2024 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2024 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2024 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 four operating companies which are considered to represent two operating segments of the group. Castings P.L.C., William Lee Limited and Castings Ductile 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 2024.

	operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	88,568	612	-	89,180
Inter-segmental revenue	11,027	15,521	-	26,548
Segmental result	2,428	1,068	-	3,496
Unallocated income:				
Finance income				652
Finance expenses				(37)
Profit before income tax				4,111
Total assets	147,598	31,165	(15,070)	163,693
Non-current asset additions	3,186	2,637	-	5,823
Depreciation	2,375	1,820	-	4,195
Total liabilities	(35,640)	(6,937)	6,806	(35,771)

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 year ended 31 March 2024.

	Foundry operations £'000	Machining £'000	Elimination £'000	Total £'000
Revenue from external customers	222,542	1,872	-	224,414
Inter-segmental revenue	28,433	35,774	(64,207)	-
Segmental result	16,184	3,719	(32)	19,871
Unallocated costs:				
Defined benefit pension cost				(112)
Finance income				1,527
Profit before income tax				21,286
Total assets	156,605	30,822	(13,372)	174,055
Non-current asset additions	5,179	5,334	-	10,513
Depreciation	5,069	3,782	-	8,851
Total liabilities	(40,424)	(7,719)	8,078	(40,065)

5. Dividends

Amounts recognised as distributions to shareholders in the period:

	Half year to 30 September 2024 £'000	Half year to 30 September 2023 £'000
Final dividend of 14.19p per share for the year ended 31 March 2024 (2023 - 13.51p per share)	6,167	5,880
Supplementary dividend of 7.00p per share for the year ended 31 March 2024 (2023 - 15p per share)	3,042	6,534
	9,209	12,414

The directors have declared an interim dividend in respect of the financial year ending 31 March 2025 of 4.21 pence per share (2023 - 4.13 pence), which will be paid on 2 January 2025.

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 2024	Unaudited Half year to 30 September 2023	Audited Year to 31 March 2024
Profit after tax (£'000)	3,074	7,692	16,721
Weighted average number of shares - basic calculation	43,458,068	43,518,814	43,488,441

Weighted average number of shares - basic calculation	43,672,384	43,666,343	43,635,970
Earnings per share - basic	7.07p	17.68p	38.45p
Earnings per share - diluted	7.04p	17.62p	38.32p

7. Pension schemes

The group operates two defined benefit pension schemes which are closed to new entrants and were 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 2024 being an unrecognised surplus of £10,863,000.

The pension schemes are related parties of the group and during the period £1,122,000 (2023 - £1,063,000) was paid by the group on behalf of the schemes in respect of pension payments and administration costs. At 30 September 2024, the outstanding balance of £3,241,000 (2023 - £3,183,000) 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.

The directors of Castings P.L.C. are listed on the back cover of this report.

By order of the board

S. J. Mant
Group Finance Director
13 November 2024

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