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INTERIM 2010

 **carclo** plc



In summary .....	04
Chairman's statement .....	05
Condensed consolidated income statement .....	08
Condensed consolidated statement of comprehensive income .....	08
Condensed consolidated statement of financial position .....	09
Condensed consolidated statement of changes in equity .....	10
Condensed consolidated statement of cash flows .....	11
Notes on the accounts .....	12
Independent review report to Carclo plc .....	23

# IN SUMMARY

## Half year results for the six months ended 30 September 2010

Carclo plc, the technology led plastics group, announces a robust first half performance in line with the board's expectations.

### Highlights

- Period of excellent strategic progress
- Encouraging financial results - profit before tax increased to £2.5 million (2009 - £1.7 million) and earnings per share increased by 31.8% to 2.9 pence (2009 - 2.2 pence)
- Technical Plastics has performed well with underlying operating profits of £2.6 million (2009 - £2.0 million) and operating margins up 1.4% to 8.9%. Sales increased by 11.4% helped by strong growth from medical diagnostic and LED optical products
- Precision Products was impacted by customer delays in supercar lighting programmes which resulted in underlying operating profits reducing to £0.4 million (2009 - £0.8 million). These programmes are now in production and a stronger second half performance is expected
- Conductive Inkjet Technology ("CIT") has made significant progress during the first half of the financial year and has now completed the installation of the pilot line which will be used in the production of touch sensors for Atmel Corporation ("Atmel")
- We have agreed to extend Atmel's preferential access to our production facilities subject to stretching minimum volume targets and a \$10.0 million prepayment to CIT in respect of future supplies of coated film
- Capital expenditure in the period totalled £2.8 million (2009 - £1.3 million) across a number of expansion and efficiency projects
- Interim dividend increased to 0.7 pence per share (2009 - 0.65 pence per share)

Commenting on the results, Christopher Ross, chairman, said -

*"The strategic progress made in the half year was excellent and the financial results were encouraging set against a background of continued economic uncertainty.*

*The second half of the financial year is set to build on this momentum. The group continues to benefit from growth opportunities in medical diagnostics and LED optics. Start-up costs on the supercar lighting projects are progressively reducing which will underpin an improved second half performance in this business.*

*Technical and commercial progress at CIT is very exciting and the board is determined to capitalise on the opportunities presented.*

*We have good, well positioned, growing businesses and great technological opportunities."*

## Forward looking statements

Certain statements made in this announcement are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events to differ materially from any expected future events or results referred to in these forward looking statements.



# CHAIRMAN'S STATEMENT

## Overview

Carclo has made good progress in the first half of the current financial year. Technical Plastics continued to benefit from its niche position in the medical and LED optics sectors and its facilities in the lower cost regions generated record revenues. In Precision Products, a growing number of supercar lighting projects, which utilise state of the art LED optics, are progressively entering production and will help underpin revenue during the remainder of the financial year and beyond. Conductive Inkjet Technology is progressing well on its fine line project with Atmel Corporation, having completed the installation of the production line at its expanded facility in Cambridge.

Underlying operating profits of £2.3 million were modestly ahead of the prior year with good growth in Technical Plastics being offset by a reduction in Wipac's profits due to customer delays and start-up costs in the launch of a number of supercars which had been highlighted in previous statements.

The group generated a profit before tax in the six months to 30 September 2010 of £2.5 million (2009 - £1.7 million), benefitting from a net pension finance credit under IAS 19 of £0.5 million (2009 - a net charge of £0.2 million). Earnings per ordinary share increased by 31.8% to 2.9 pence.

The group's financial and funding position remains strong and this has allowed the group to undertake a number of expansion and efficiency related projects in the half year whilst retaining clear headroom on all of its bank facilities and covenants.

## Financial position

Net debt at 30 September 2010 was £17.9 million, a similar level to the group's net debt a year ago. This represents gearing on assets (excluding the net pension deficit) of 30.1% (2009 - 33.3%). Cash generated from operations was £1.5 million (2009 - £2.6 million) and is net of a £2.1 million investment in working capital (2009 - £0.6 million). These funds have been used to fund additional expansion and efficiency related capital projects in the period whilst continuing the group's focus on technological investments. Capital expenditure in the six months to 30 September 2010 amounted to £2.8 million (2009 - £1.3 million), the same amount as invested in the whole of the last financial year. Technical moulding facilities in the UK have been upgraded to increase manufacturing capacity for optical and medical products and a sub-contract facility has been completed in China for the production of components for the Wipac business. Investment in new technologies has also continued with the new production line in Cambridge and £0.8 million incurred in respect of development costs (2009 - £0.6 million).

As at 30 September 2010 the total drawings on the group's £20.0 million medium term loan facilities were £18.2 million. These committed facilities are well priced and do not expire until June 2012. In addition, the group has overdraft facilities totalling £11.6 million. The two main covenant ratios relating to the group's bank facilities are interest cover and net debt to EBITDA and, as at 30 September 2010, the group has a comfortable level of headroom on both of these covenant tests.

The board has declared an interim dividend of 0.7 pence per ordinary share, an increase of 7.7% on the previous year's interim dividend. The dividend will be paid on 6 April 2011 to shareholders on the register on 4 March 2011. The shares will trade ex-dividend from 2 March 2011.

CARCLO  
HAS MADE  
EXCELLENT  
STRATEGIC  
PROGRESS





# STATEMENT CONTINUED

## Operating review

### Technical Plastics

The Technical Plastics division generated revenues of £29.1 million, up 11.4% on the same period last year. The additional volume contributed to operating profits, before rationalisation costs, increasing by £0.6 million to £2.6 million. Sales to the medical sector have grown strongly by over 15%, driven by a good recovery in volumes in the US operation and growth in the Chinese business. LED optics continues to be the group's fastest growing segment with sales of £1.9 million in the period, over 50% above that achieved in the same period last year. The continued shift in mix towards the higher margin medical and optical sectors resulted in operating margins being uplifted from 7.5% to 8.9% in the six months to 30 September 2010.

The group's focus on medical and optical products continues and investment in new facilities during the period will support further growth in these sectors. A facility in Scotland is being upgraded to meet the stringent requirements for the clean environment moulding of optical components and to provide additional capacity for new medical business. In the medical moulding facility at Mitcham, a state of the art automated clean room facility has been installed to support a key customer in the production of its innovative inhaler products. The group has also expanded its manufacturing facility in India to provide additional capacity to access local market opportunities.

### Precision Products

The Precision Products division delivered sales of £14.8 million (2009 - £15.3 million). Operating profits were down on the prior half year at £0.4 million (2009 - £0.8 million). The drop in first half profitability reflects the start-up costs and some programme delays on the new supercar lighting programmes at Wipac. We have reported previously that two vehicle programmes have been subject to launch delays – these vehicles are now in production and will contribute significantly to second half sales. Accordingly, Wipac's second half sales and profitability is expected to improve as the start-up costs reduce and that improvement is set to continue next year.

The aerospace businesses generated revenues at a similar level to last year with profits improved through a combination of sales mix and good cost control. Whilst there is still no tangible sign of a sustained recovery in this sector, the business continues to generate an acceptable level of profit and cash flows.

Overall, therefore, the group expects to deliver a much stronger performance in Precision Products in the second half of the financial year.

### Conductive Inkjet Technology ("CIT")

Our focus at CIT has been on completing the pilot line for our Fine Line Technology ("FLT") for the production of touch screen sensors for smart phones and high-end computing devices. Under the terms of our agreement with Atmel Corporation ("Atmel"), our partner in the FLT project, Atmel agreed to pay \$1.0 million for preferential access to CIT's capacity subject to certain milestones, of which \$0.5 million was received on signing of the agreement in December 2009. The second milestone was the installation of a dedicated pilot line production facility at CIT's premises in Cambridge. This was achieved at the end of September as announced in our half year trading update. The final milestone is the customer validation of the production facility. Atmel has now agreed to release the final \$0.25 million payment under the December 2009 agreement.

Through Atmel we have been working closely with major mobile phone manufacturers and in the process have further developed the FLT technology. CIT's second generation chemistry ("Gen 2") produced line widths of approximately eight microns. These lines are barely visible to untrained eyes but in some applications there is a residual reflectivity which our end customers would like to eliminate, especially in high-end devices. We have, therefore, developed a third generation solution ("Gen 3") which has sub four micron lines and, to all intents and purposes, eliminates reflectivity.

We plan to use the Gen 3 chemistry for all production and the pilot lines will be upgraded from Gen 2 to Gen 3 in the new year. We therefore now expect to be production ready in mid 2011, a delay of about four months on our original plans, with volume production commencing during the second half of next year.

The probable scale of the touch sensor application continues to grow rapidly. We have extended the exclusive access granted under the December 2009 agreement to Atmel for up to ten years depending on the achievement of certain business levels. Atmel has agreed to take the lead in the ramp up of manufacturing capacity required to achieve the target sales revenues. Atmel will additionally make a prepayment of \$10.0 million to CIT in respect of future supplies of CIT product. This prepayment is expected to be made in the second half of 2011.

The minimum volumes included in this agreement are commercially very sensitive and we will not be able to disclose this information to shareholders. However, the touch sensor market is already large and is growing rapidly. Atmel has established a market leading position in this sector and, therefore, the revenues which CIT is expected to earn from this agreement are substantial and are material in the context of Carclo's prospective revenue and profit growth.

CIT's printed electronics business, InkJetFlex, continues to gain momentum. We are now supplying repeat production batches to two RFID tag producers – in both instances these are specialised applications requiring the higher performance characteristics of CIT's copper, and potential volumes in both cases are substantial. We continue to supply smaller quantities to a broad range of customers with a diverse spectrum of applications.

With our partner Cambridge Display Technology ("CDT"), we continue to develop an OLED based lighting product which uses CIT's Fine Line Technology to replace the ITO transparent conductors conventionally used in OLED lighting products.

We have entered into a new collaboration with Eight19 Limited, a Cambridge based company which has been set up to develop high efficiency organic photovoltaics. As with the CDT collaboration, CIT's technology is being used to produce the front transparent electrode for the device as a direct replacement for ITO. This joint programme is receiving funding from the Technology Strategy Board. This latest collaboration underlines yet again the unique position that CIT has developed in roll-to-roll printed electronics.

### Platform Diagnostics ("PDL")

The group's joint development with BBI Holdings plc ("BBI") has made good progress. PDL is now in possession of a highly innovative disposable Point-Of-Care ("POC") blood testing device which has been demonstrated to work well using a D-dimer assay (used as a test in deep vein thrombosis). This device has taken longer than anticipated to develop as a number of manufacturing challenges have been identified and overcome, often using highly innovative techniques and know-how which have brought together Carclo's

unique breadth of expertise in a number of fields. Carclo owns outright the IPR in both the innovative mechanical features of the device and the low cost electronics (based on CIT). The end product is technically innovative and provides a low cost adaptable platform to the POC sector. Over the next few months we will be looking to exploit this technology more broadly within the POC sector.

### Risks and uncertainties

In the annual report to shareholders in June 2010 we provided a detailed review of the risks faced by the group and how these risks are managed. We continue to face, and proactively manage, the risks and uncertainties in our business and there has been no significant change in the risks faced by the group.

### Outlook

The strategic progress made in the half year was excellent and the financial results were encouraging set against a background of continued economic uncertainty.

The second half of the financial year is set to build on this momentum. The group continues to benefit from growth opportunities in medical diagnostics and LED optics. Start-up costs on the supercar lighting projects are progressively reducing which will underpin an improved second half performance in this business.

Technical and commercial progress at CIT is very exciting and the board is determined to capitalise on the opportunities presented.

We have good, well positioned, growing businesses and great technological opportunities.

Christopher Ross  
Chairman  
23 November 2010



## Condensed consolidated income statement

	Notes	Six months ended 30 September 2010 unaudited £000	Six months ended 30 September 2009 unaudited £000	Year ended 31 March 2010 audited £000
<b>Revenue</b>	4	<b>43,781</b>	41,058	81,152
<b>Underlying operating profit</b>				
Operating profit before exceptional items		<b>2,333</b>	2,138	5,669
– rationalisation costs	5	<b>(143)</b>	(103)	(297)
– profit on sale of surplus property		<b>–</b>	79	79
After exceptional items		<b>2,190</b>	2,114	5,451
<b>Operating profit</b>	4	<b>2,190</b>	2,114	5,451
Finance income	6	<b>4,876</b>	4,247	8,521
Finance charge	6	<b>(4,582)</b>	(4,673)	(9,349)
<b>Profit before tax</b>		<b>2,484</b>	1,688	4,623
Income tax expense	7	<b>(646)</b>	(346)	(948)
<b>Profit after tax but before loss on discontinued operations</b>		<b>1,838</b>	1,342	3,675
Loss on discontinued operations, net of tax	8	<b>(32)</b>	(89)	(223)
<b>Profit after tax, attributable to equity holders of the parent</b>		<b>1,806</b>	1,253	3,452
Earnings per ordinary share	9			
Basic – continuing operations		<b>3.0p</b>	2.3p	6.3p
Basic – discontinued operations		<b>(0.1)p</b>	(0.1)p	(0.4)p
Basic – total		<b>2.9p</b>	2.2p	5.9p
Diluted – continuing operations		<b>3.0p</b>	2.3p	6.3p
Diluted – discontinued operations		<b>(0.1)p</b>	(0.1)p	(0.4)p
Diluted – total		<b>2.9p</b>	2.2p	5.9p

## Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2010 unaudited £000	Six months ended 30 September 2009 unaudited £000	Year ended 31 March 2010 audited £000
<b>Profit for the period</b>	<b>1,806</b>	1,253	3,452
<b>Other comprehensive income –</b>			
Foreign exchange translation differences	<b>(266)</b>	(540)	(143)
Actuarial losses on defined benefit scheme	<b>(3,953)</b>	(6,858)	(3,634)
Taxation on items taken directly to equity	<b>1,107</b>	1,920	1,441
<b>Other comprehensive income, net of income tax</b>	<b>(3,112)</b>	(5,478)	(2,336)
<b>Total comprehensive income for the period</b>	<b>(1,306)</b>	(4,225)	1,116
<b>Attributable to equity holders of the parent</b>	<b>(1,306)</b>	(4,225)	1,116

## Condensed consolidated statement of financial position

	Notes	30 September 2010 unaudited £000	30 September 2009 unaudited £000	31 March 2010 audited £000
<b>Assets</b>				
Intangible assets	11	35,143	33,988	34,758
Property, plant and equipment	12	27,219	26,196	26,227
Investments		717	642	623
Deferred tax assets		10,190	9,663	9,167
<b>Total non current assets</b>		<b>73,269</b>	<b>70,489</b>	<b>70,775</b>
Inventories		11,192	10,068	10,263
Trade and other receivables		20,124	17,366	20,414
Cash and cash deposits		10,824	8,400	10,205
Non current assets classified as held for sale	13	218	837	223
<b>Total current assets</b>		<b>42,358</b>	<b>36,671</b>	<b>41,105</b>
<b>Total assets</b>		<b>115,627</b>	<b>107,160</b>	<b>111,880</b>
<b>Liabilities</b>				
Interest bearing loans and borrowings		18,225	19,561	18,678
Deferred tax liabilities		4,819	4,494	4,902
Retirement benefit obligations	14	23,300	24,600	20,087
Provisions		–	412	–
<b>Total non current liabilities</b>		<b>46,344</b>	<b>49,067</b>	<b>43,667</b>
Trade and other payables		13,392	13,951	15,019
Current tax liabilities		2,423	1,944	1,906
Provisions		292	757	515
Interest bearing loans and borrowings		10,502	6,386	6,166
<b>Total current liabilities</b>		<b>26,609</b>	<b>23,038</b>	<b>23,606</b>
<b>Total liabilities</b>		<b>72,953</b>	<b>72,105</b>	<b>67,273</b>
<b>Net assets</b>		<b>42,674</b>	<b>35,055</b>	<b>44,607</b>
<b>Equity</b>				
Ordinary share capital issued	18	3,075	2,883	3,071
Share premium		8,143	4,128	8,042
Other reserves		3,584	3,584	3,584
Translation reserve		4,766	4,570	5,032
Retained earnings		23,106	19,890	24,878
<b>Total equity attributable to equity holders of the parent</b>		<b>42,674</b>	<b>35,055</b>	<b>44,607</b>

## Condensed consolidated statement of changes in equity

	Attributable to equity holders of the company					
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>Current half year period – unaudited</b>						
<b>Balance at 1 April 2010</b>	<b>3,071</b>	<b>8,042</b>	<b>5,032</b>	<b>3,584</b>	<b>24,878</b>	<b>44,607</b>
<b>Profit for the period</b>	–	–	–	–	<b>1,806</b>	<b>1,806</b>
<b>Other comprehensive income –</b>						
Foreign exchange translation differences	–	–	(266)	–	–	(266)
Actuarial losses on defined benefit scheme	–	–	–	–	(3,953)	(3,953)
Taxation on items taken directly to equity	–	–	–	–	<b>1,107</b>	<b>1,107</b>
<b>Transactions with owners recorded directly in equity –</b>						
Share based payments	–	–	–	–	<b>90</b>	<b>90</b>
Dividends to shareholders	–	–	–	–	(829)	(829)
Exercise of share options	<b>4</b>	<b>101</b>	–	–	–	<b>105</b>
Adjustment to deferred consideration	–	–	–	–	<b>7</b>	<b>7</b>
<b>Balance at 30 September 2010</b>	<b>3,075</b>	<b>8,143</b>	<b>4,766</b>	<b>3,584</b>	<b>23,106</b>	<b>42,674</b>
<b>Prior half year period – unaudited</b>						
Balance at 1 April 2009	2,859	3,916	5,110	3,656	24,190	39,731
<b>Profit for the period</b>	–	–	–	–	<b>1,253</b>	<b>1,253</b>
<b>Other comprehensive income –</b>						
Foreign exchange translation differences	–	–	(540)	–	–	(540)
Actuarial losses on defined benefit scheme	–	–	–	–	(6,858)	(6,858)
Taxation on items taken directly to equity	–	–	–	–	<b>1,920</b>	<b>1,920</b>
<b>Transactions with owners recorded directly in equity –</b>						
Share based payments	–	–	–	–	<b>89</b>	<b>89</b>
Dividends to shareholders	–	–	–	–	(776)	(776)
Exercise of share options	<b>24</b>	<b>212</b>	–	–	–	<b>236</b>
Transfer in respect of depreciation	–	–	–	(72)	<b>72</b>	–
Balance at 30 September 2009	<b>2,883</b>	<b>4,128</b>	<b>4,570</b>	<b>3,584</b>	<b>19,890</b>	<b>35,055</b>
<b>Prior year period – audited</b>						
Balance at 1 April 2009	2,859	3,916	5,110	3,656	24,190	39,731
<b>Profit for the period</b>	–	–	–	–	<b>3,452</b>	<b>3,452</b>
<b>Other comprehensive income –</b>						
Foreign exchange translation differences	–	–	(143)	–	–	(143)
Actuarial losses on defined benefit scheme	–	–	–	–	(3,634)	(3,634)
Taxation on items taken directly to equity	–	–	<b>65</b>	–	<b>1,376</b>	<b>1,441</b>
<b>Transactions with owners recorded directly in equity –</b>						
Share based payments	–	–	–	–	<b>175</b>	<b>175</b>
Dividends to shareholders	–	–	–	–	(1,175)	(1,175)
Exercise of share options	<b>69</b>	<b>734</b>	–	–	–	<b>803</b>
Issue of shares	<b>143</b>	<b>3,392</b>	–	–	–	<b>3,535</b>
Proceeds from sale of own shares	–	–	–	–	<b>85</b>	<b>85</b>
Transfer in respect of depreciation	–	–	–	(72)	<b>72</b>	–
Adjustment to deferred consideration	–	–	–	–	<b>337</b>	<b>337</b>
Balance at 31 March 2010	<b>3,071</b>	<b>8,042</b>	<b>5,032</b>	<b>3,584</b>	<b>24,878</b>	<b>44,607</b>

## Condensed consolidated statement of cash flows

	<i>Notes</i>	<b>Six months ended 30 September 2010 unaudited £000</b>	Six months ended 30 September 2009 unaudited £000	Year ended 31 March 2010 audited £000
<b>Cash generated from operations</b>	15	<b>1,497</b>	2,590	3,407
<b>Interest paid</b>		<b>(226)</b>	(213)	(477)
<b>Tax paid</b>		<b>(128)</b>	(90)	(378)
<b>Net cash from operating activities</b>		<b>1,143</b>	2,287	2,552
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		24	548	1,259
Interest received		41	7	45
Cash flows on discontinued operations		(32)	(89)	(160)
Acquisition of business undertaking, net of cash acquired		–	(211)	(214)
Acquisition of property, plant and equipment		(2,885)	(1,312)	(2,655)
Acquisition of intangible assets – computer software		(16)	(93)	(138)
Development expenditure		(763)	(542)	(1,250)
<b>Net cash from investing activities</b>		<b>(3,631)</b>	(1,692)	(3,113)
<b>Cash flows from financing activities</b>				
Proceeds from the issue of share capital		–	–	3,535
Proceeds from exercise of share options		105	236	803
Proceeds from sale of own shares		–	–	85
Drawings on term loan facilities		–	1,000	1,000
Repayment of borrowings		(253)	(251)	(1,263)
Dividends paid		(1,228)	(1,147)	(1,147)
<b>Net cash from financing activities</b>		<b>(1,376)</b>	(162)	3,013
Net (decrease) / increase in cash and cash equivalents		<b>(3,864)</b>	433	2,452
Cash and cash equivalents at beginning of period		<b>4,303</b>	2,026	2,026
Effect of exchange rate fluctuations on cash held		(117)	(193)	(175)
<b>Cash and cash equivalents at end of period</b>	16	<b>322</b>	2,266	4,303

## Notes on the accounts

### 1 Basis of preparation

The condensed consolidated half year report for Carclo plc ("Carclo" or "the group") for the six months ended 30 September 2010 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2010 and in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 "Interim Financial Reporting" as adopted by the EU.

The financial information is unaudited, but has been reviewed by the auditors and their report to the company is set out on page 23.

The half year report does not constitute financial statements and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 March 2010 which is available either on request from the company's registered office, Springstone House, PO Box 88, 27 Dewsbury Road, Ossett, WF5 9WS, or can be downloaded from the corporate website - [www.carclo-plc.com](http://www.carclo-plc.com).

The comparative figures for the financial year ended 31 March 2010 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention to by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) of the Companies Act 2006.

The half year report was approved by the board of directors on 23 November 2010 and is being sent to shareholders on 3 December 2010. Copies are available from the company's registered office and can also be downloaded from the corporate website.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

### 2 Accounting policies

The accounting policies, methods of computation and presentation applied by the group in this condensed consolidated half year report are the same as those applied by the group in its annual report and financial statements for the year ended 31 March 2010, except as detailed below.

The following new standards, amendments or interpretations came into force for Carclo during the current financial year and have been adopted by the group from 1 April 2010 -

IFRS 3 (revised)	Business combinations
IAS 27 (amendment)	Consolidated and separate financial statements
IAS 39 (amendment)	Eligible hedged items

The adoption of these standards and interpretations has not had a significant impact on the results for the period.

### 3 Accounting estimates

The preparation of the half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these half year financial statements, the significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 31 March 2010.

## Notes on the accounts continued

### 4 Segment reporting

At 30 September 2010, the group is organised into three, separately managed, business segments - Technical Plastics, Precision Products and Conductive Inkjet Technology. These are the segments for which summarised management information is presented to the group's chief operating decision maker (comprising the main board and general executive committee).

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

The Precision Products segment supplies systems to the automotive and aerospace industries and is a leader in the development of high power LED lighting for supercars.

The Conductive Inkjet Technology segment undertakes applied research into the digital printing of conductive metals onto plastic substrates.

Transfer pricing between business segments is set on an arm's length basis. Segmental revenues and results include transfers between business segments. Those transfers are eliminated on consolidation.

	Technical Plastics £000	Precision Products £000	Conductive Inkjet Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2010 were as follows –						
<b>Consolidated income statement</b>						
Total revenue	29,135	14,833	314	–	(501)	43,781
Less inter-segment revenue	(420)	(81)	–	–	501	–
Total external revenue	28,715	14,752	314	–	–	43,781
Expenses	(26,133)	(14,401)	(273)	(641)	–	(41,448)
Underlying operating profit	2,582	351	41	(641)	–	2,333
Rationalisation costs	(119)	(24)	–	–	–	(143)
<b>Operating profit</b>	2,463	327	41	(641)	–	2,190
Net finance income						294
Income tax expense						(646)
Loss on discontinued operations, net of tax						(32)
<b>Profit after tax</b>						1,806
<b>Consolidated statement of financial position</b>						
Segment assets	60,704	25,235	16,257	13,431	–	115,627
Segment liabilities	(9,759)	(10,199)	(455)	(52,540)	–	(72,953)
<b>Net assets</b>	50,945	15,036	15,802	(39,109)	–	42,674

## Notes on the accounts continued

	Technical Plastics £000	Precision Products £000	Conductive Inkjet Technology £000	Unallocated £000	Eliminations £000	Group total £000
<b>4 Segment reporting continued</b>						
The segment results for the six months ended 30 September 2009 were as follows –						
<b>Consolidated income statement</b>						
Total revenue	26,161	15,346	45	–	(494)	41,058
Less inter-segment revenue	(433)	(61)	–	–	494	–
Total external revenue	25,728	15,285	45	–	–	41,058
Expenses	(23,775)	(14,442)	(142)	(561)	–	(38,920)
Underlying operating profit	1,953	843	(97)	(561)	–	2,138
Rationalisation costs	(92)	(11)	–	–	–	(103)
Profit on sale of surplus property	–	–	–	79	–	79
<b>Operating profit</b>	<b>1,861</b>	<b>832</b>	<b>(97)</b>	<b>(482)</b>	<b>–</b>	<b>2,114</b>
Net finance charge						(426)
Income tax expense						(346)
loss on discontinued operations, net of tax						(89)
<b>Profit after tax</b>						<b>1,253</b>
<b>Consolidated statement of financial position</b>						
Segment assets	59,479	22,532	14,096	11,053	–	107,160
Segment liabilities	(10,129)	(8,996)	(240)	(52,740)	–	(72,105)
<b>Net assets</b>	<b>49,350</b>	<b>13,536</b>	<b>13,856</b>	<b>(41,687)</b>	<b>–</b>	<b>35,055</b>

## Notes on the accounts continued

	Technical Plastics £000	Precision Products £000	Conductive Inkjet Technology £000	Unallocated £000	Eliminations £000	Group total £000
<b>4 Segment reporting continued</b>						
The segment results for the year ended 31 March 2010 were as follows –						
<b>Consolidate income statement</b>						
Total revenue	51,124	30,525	281	–	(778)	81,152
Less inter-segment revenue	(636)	(142)	–	–	778	–
Total external revenue	50,488	30,383	281	–	–	81,152
Expenses	(46,082)	(27,740)	(370)	(1,291)	–	(75,483)
Underlying operating profit	4,406	2,643	(89)	(1,291)	–	5,669
Rationalisation costs	(275)	(10)	–	(12)	–	(297)
Profit on sale of surplus property	–	–	–	79	–	79
<b>Operating profit</b>	<b>4,131</b>	<b>2,633</b>	<b>(89)</b>	<b>(1,224)</b>	<b>–</b>	<b>5,451</b>
Net finance charge						(828)
Income tax expense						(948)
Profit on discontinued operations, net of tax						(223)
<b>Profit after tax</b>						<b>3,452</b>
<b>Consolidated statement of financial position</b>						
Segment assets	59,575	24,993	15,172	12,140	–	111,880
Segment liabilities	(10,289)	(9,710)	(787)	(46,487)	–	(67,273)
<b>Net assets</b>	<b>49,286</b>	<b>15,283</b>	<b>14,385</b>	<b>(34,347)</b>	<b>–</b>	<b>44,607</b>
			<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000		Year ended 31 March 2010 £000
<b>5 Rationalisation costs</b>						
Redundancy costs			(14)	(103)		(203)
Fixed asset write downs			–	–		(32)
Provisions in respect of future property costs			–	–		(49)
Other operating expenses			(129)	–		(13)
<b>Total</b>			<b>(143)</b>	<b>(103)</b>		<b>(297)</b>

## Notes on the accounts continued

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>6 Net finance income / (charge)</b>			
Finance revenue	42	7	42
Finance expense	(253)	(216)	(435)
Other finance revenue – retirement benefits	4,834	4,240	8,479
Other finance expense – retirement benefits	(4,329)	(4,457)	(8,914)
<b>Total</b>	<b>294</b>	<b>(426)</b>	<b>(828)</b>

### 7 Income tax expense

The half year accounts include a tax charge of 26.0% of profit before tax (2009 – 20.5%) based on the estimated average effective income tax rate for the full year. The group's effective tax rate continues to run at a lower level than the underlying UK tax rate of 28.0% (2009 – 28.0%) as the group continues to benefit from prior period tax losses and tax planning initiatives.

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>8 Loss on discontinued operations, net of tax</b>			
Costs incurred in relation to non current assets held for sale	(32)	(89)	(200)
Loss on disposal of surplus property	–	–	(23)
<b>Total</b>	<b>(32)</b>	<b>(89)</b>	<b>(223)</b>

In the six months ended 30 September 2010, costs of £0.032 million were incurred in relation to non current assets held for sale (2009 - £0.089 million). These assets were properties which were used by businesses which were sold in prior years. In the year ended 31 March 2010, one of the assets, a property based in Lichfield, was sold for £0.569 million, net of attributable costs, and generated a loss of £0.023 million.

## Notes on the accounts continued

### 9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the company divided by the weighted average number of ordinary shares outstanding during the period.

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders of the company divided by the weighted average number of ordinary shares outstanding during the period (adjusted for dilutive options).

The following details the profit and average number of shares used in calculating the basic and diluted earnings per share –

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
Profit attributable to ordinary shareholders from continuing operations	<b>1,838</b>	1,342	3,675
Loss from discontinued operations	<b>(32)</b>	(89)	(223)
Profit attributable to ordinary shareholders	<b>1,806</b>	1,253	3,452

	<b>Six months ended 30 September 2010 Shares</b>	Six months ended 30 September 2009 Shares	Year ended 31 March 2010 Shares
Weighted average number of ordinary shares in issue in the period	<b>61,390,193</b>	57,262,958	58,464,666
Effect of share options in issue	<b>470,219</b>	374,558	383,658
Weighted average number of ordinary shares (diluted) in the period	<b>61,860,412</b>	57,637,516	58,848,324

The following table summarises the earnings per share figures based on the above data –

	<b>Six months ended 30 September 2010 Pence</b>	Six months ended 30 September 2009 Pence	Year ended 31 March 2010 Pence
Basic – continuing operations	<b>3.0</b>	2.3	6.3
Basic – discontinued operations	<b>(0.1)</b>	(0.1)	(0.4)
Basic – total	<b>2.9</b>	2.2	5.9
Diluted – continuing operations	<b>3.0</b>	2.3	6.3
Diluted – discontinued operations	<b>(0.1)</b>	(0.1)	(0.4)
Diluted – total	<b>2.9</b>	2.2	5.9

## Notes on the accounts continued

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
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### 10 Dividends paid and proposed

Ordinary dividends per 5 pence share declared in the period comprised –

Final dividend for 2008/09 (1.35 pence per share)	–	776	776
Interim dividend for 2009/10 (0.65 pence per share)	–	–	399
Final dividend for 2009/10 (1.35 pence per share)	<b>829</b>	–	–
	<b>829</b>	776	1,175

The directors are proposing an interim dividend of 0.70 pence per ordinary share for the half year ended 30 September 2010. The dividend payment totalling £0.430 million will be paid on 6 April 2011 to shareholders on the share register at close of business on 4 March 2011. The proposed dividend has not been provided in the half year accounts.

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
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### 11 Intangible assets

The movements in the carrying value of intangible assets are summarised as follows –

Net book value at the start of the period	<b>34,758</b>	33,774	33,774
Additions	<b>779</b>	635	1,388
Amortisation	<b>(172)</b>	(119)	(183)
Effect of movements in foreign exchange	<b>(222)</b>	(302)	(221)
<b>Net book value at the end of the period</b>	<b>35,143</b>	33,988	34,758

Included within intangible assets is goodwill of £21.2 million (2009 - £21.4 million). The carrying value of goodwill is subject to annual impairment tests by reviewing detailed projections of the recoverable amounts from the underlying cash generating units. At 31 March 2010, the carrying value of goodwill was supported by such value in use calculations. There has been no indication of subsequent impairment in the current financial year.

## Notes on the accounts continued

	Six months ended 30 September 2010 £000	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>12 Property, plant and equipment</b>			
The movements in the carrying value of property, plant and equipment are summarised as follows –			
Net book value at the start of the period	26,227	27,017	27,017
Additions	2,800	1,256	2,818
Depreciation	(1,587)	(1,574)	(3,173)
Disposals	(1)	(12)	(123)
Impairment arising on site rationalisation	–	–	(32)
Effect of movements in foreign exchange	(220)	(491)	(280)
<b>Net book value at the end of the period</b>	<b>27,219</b>	<b>26,196</b>	<b>26,227</b>
	<b>As at 30 September 2010 £000</b>	<b>As at 30 September 2009 £000</b>	<b>As at 31 March 2010 £000</b>
<b>13 Non current assets classified as held for sale</b>			
Surplus land and buildings	218	822	223
Surplus plant and equipment	–	15	–
<b>Net book value at the end of the period</b>	<b>218</b>	<b>837</b>	<b>223</b>
At 30 September 2010, a surplus property with a net book value of £0.218 million had been reclassified as being held for sale. The property, which is located in France, continues to be actively marketed.			
<b>14 Retirement benefit obligations</b>			
At 31 March 2010, the group had a retirement benefit liability, as calculated under the provisions of IAS 19 "Employee Benefits", of £20.087 million. Since the start of the current financial year, equity markets have continued to recover which has resulted in the scheme's assets increasing in value by £5.115 million to £147.000 million. However, a reduction in the discount rate used to evaluate the scheme's liabilities, from 5.5% at the start of the period to 5.0%, has resulted in the value of the liabilities increasing by £8.328 million to £170.300 million. As a consequence the scheme deficit, on an IAS 19 basis, has increased from £20.087 million at 31 March 2010 to £23.300 million at 30 September 2010.			

## Notes on the accounts continued

	<b>Six months ended 30 September 2010 £000</b>	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>15 Cash generated from operations</b>			
<b>Operating profit</b>	<b>2,190</b>	2,114	5,451
<b>Adjustments for –</b>			
Pension fund contributions in excess of service costs	<b>(235)</b>	(399)	(1,906)
Depreciation charge	<b>1,587</b>	1,574	3,173
Amortisation of intangible assets	<b>172</b>	119	183
Share of losses in associated company	<b>5</b>	18	37
Provisions charged in respect of site closure	<b>–</b>	–	49
Cash flows relating to provision for site closure	<b>(216)</b>	(251)	(617)
Profit on disposal of surplus property	<b>–</b>	(79)	(79)
(Profit) / loss on disposal of other plant and equipment	<b>(23)</b>	6	1
Write down of assets charged to rationalisation costs	<b>–</b>	–	32
Share based payment charge	<b>90</b>	89	175
	<hr/>	<hr/>	<hr/>
<b>Operating cash flow before changes in working capital</b>	<b>3,570</b>	3,191	6,499
<b>Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries)</b>			
(Increase) / decrease in inventories	<b>(1,040)</b>	1,126	1,020
Decrease / (increase) in trade and other receivables	<b>57</b>	333	(2,606)
Decrease in trade and other payables	<b>(1,090)</b>	(2,060)	(1,506)
	<hr/>	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>1,497</b>	2,590	3,407
	<hr/>	<hr/>	<hr/>
	<b>As at 30 September 2010 £000</b>	<b>As at 30 September 2009 £000</b>	<b>As at 31 March 2010 £000</b>
<b>16 Cash and cash equivalents</b>			
Cash and cash deposits	<b>10,824</b>	8,400	10,205
Bank overdrafts	<b>(10,502)</b>	(6,134)	(5,902)
	<hr/>	<hr/>	<hr/>
	<b>322</b>	2,266	4,303
	<hr/>	<hr/>	<hr/>

## Notes on the accounts continued

	Six months ended 30 September 2010 £000	Six months ended 30 September 2009 £000	Year ended 31 March 2010 £000
<b>17 Net debt</b>			
The net movement in cash and cash equivalents can be reconciled to the change in net debt in the period as follows –			
Net (decrease) / increase in cash and cash equivalents	(3,864)	433	2,452
Net repayments / (drawings) of term loan borrowings	253	(749)	263
	<u>(3,611)</u>	<u>(316)</u>	<u>2,715</u>
Effect of exchange rate fluctuations on net debt	347	643	520
	<u>(3,264)</u>	<u>327</u>	<u>3,235</u>
Net debt at start of period	(14,639)	(17,874)	(17,874)
Net debt at end of period	<u>(17,903)</u>	<u>(17,547)</u>	<u>(14,639)</u>
		<b>Number of shares</b>	<b>£000</b>
<b>18 Ordinary share capital</b>			
Ordinary shares of 5 pence each –			
<b>Authorised at 30 September 2009, 31 March 2010 and 30 September 2010</b>	<b>80,000,000</b>		<b>4,000</b>
Issued and fully paid at 31 March 2009	57,188,702		2,859
Shares issued on exercise of share options for cash	472,000		24
Issued and fully paid at 30 September 2009	57,660,702		2,883
Shares issued on placing of shares for cash	2,858,000		143
Shares issued on exercise of share options for cash	903,000		45
Issued and fully paid at 31 March 2010	61,421,702		3,071
Shares issued on exercise of share options for cash	83,000		4
<b>Issued and fully paid at 30 September 2010</b>	<b>61,504,702</b>		<b>3,075</b>
In the six months ended 30 September 2010, options over 83,000 ordinary shares were exercised at an exercise price of 126.0 pence per share. These options were settled by £0.105 million in cash in the period.			

### 19 Related parties

#### Identity of related parties

The group has a related party relationship with its subsidiaries, its associate, its directors and executive officers and the group pension scheme.

#### Transactions with key management personnel

Full details of directors' remuneration are disclosed in the group's annual report. In the six months ended 30 September 2010, the directors' remuneration amounted to £0.261 million (2009 - £0.257 million).

Ian Williamson is a non executive director of Suprajit Engineering Limited ("Suprajit"), a manufacturer of automotive components based in Bangalore, India. Suprajit has provided assistance in the establishment of Carclo's Technical Plastics facility in India including the lease of a manufacturing and storage facility in Bangalore. Payments totalling £0.062 million have been made to Suprajit for these services in the six months to 30 September 2010 (2009 - £0.009 million).

#### Group pension scheme

Carclo manages a pensions department which administers the group pension scheme. The associated investment costs are recharged to the scheme in full. The costs in the six months ended 30 September 2010 amounted to £0.110 million (2009 - £0.448 million). From 1 April 2007, it has been agreed with the trustees of the pension scheme that, under the terms of the recovery plan, Carclo would bear the scheme's administration costs whilst ever the scheme was in deficit, as calculated at the triennial valuation. As the scheme was in deficit under the latest actuarial valuation, Carclo incurred an administration cost of £0.249 million, which has been charged against the IAS 19 pension scheme deficit (2009 - £0.255 million).

### 20 Post balance sheet events

In October 2010, the group injected £0.926 million in cash into the group pension scheme in accordance with the agreed funding plan.

### 21 Seasonality

There are no specific seasonal factors which impact on the demand for products and services supplied by the group, other than for the timing of holidays and customer shutdowns. These tend to fall predominantly in the first half of Carclo's financial year and, as a result, revenues and profits are usually higher in the second half of the financial year compared to the first half.

### 22 Responsibility statement

We confirm that to the best of our knowledge -

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
- the interim management report includes a fair review of the information required by -
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the board

**Ian Williamson** – chief executive

**Robert Brooksbank** – finance director

23 November 2010

## Independent review report to Carclo plc

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mike Barradell  
Audit director  
For and on behalf of KPMG Audit Plc  
Leeds

23 November 2010

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