carclo

Carclo plc
("Carclo" or "the group")

Half year results for the six months ended 30 September 2015

Increased profitability and continued investment in growth

Carclo plc today announces a very good first half performance in its manufacturing divisions, with the group as a whole trading in line with the board's expectations.

Financial Highlights

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000
Revenue		
Technical Plastics	31,468	29,995
LED Technologies	21,172	14,340
Precision Engineering	3,063	2,719
CIT Technology	1,483	1,742
Total	**57,186**	**48,796**
Operating profit before exceptional items		
Technical Plastics	2,523	2,263
LED Technologies	2,763	1,679
Precision Engineering	632	723
CIT Technology	2	(1,028)
Unallocated	(1,237)	(1,067)
Total	**4,683**	**2,570**
Exceptional items	**17**	**(23,499)**
Operating profit / (loss)	**4,700**	**(20,929)**
Underlying profit before tax	**4,076**	**2,265**
Profit / (loss) before tax	**4,093**	**(21,234)**
Basic earnings per share	**4.5p**	**(31.7p)**
Underlying earnings per share	**4.4p**	**2.5p**
Net debt	**27,276**	**22,428**

- Group revenue increased by 17.2% to £57.2 million (2014 - £48.8 million)

- Operating profit before exceptional items increased by 82.2% to £4.7 million (2014 - £2.6 million), despite the adverse effects of the weaker Euro, with underlying operating margin increasing 290 basis points to 8.2% (2014 – 5.3%)

- Underlying earnings per share increased by 76% to 4.4p (2014 – 2.5p)

- Increased profitability driven by strong performances from the Technical Plastics and LED Technologies divisions

- Interim dividend increased to 0.90p per share

- As anticipated net debt has risen to £27.3 million at the half year (2014 - £22.4 million), due to our continued investment in the group's manufacturing capacity, although this is expected to reduce slightly by financial year end

- The group's balance sheet remains strong and its financing is secure

Operational Highlights

- In Technical Plastics, our new state of the art facility in Taicang, China is complete and we are finalising the plans for an expansion of our Bangalore, India facility that will double its capacity overall

- In LED Technologies, Wipac has continued to win business from new and existing luxury and supercar lighting customers and it has added a brand new customer group to its portfolio. The division is well placed to deliver good growth this financial year and beyond despite the anticipated delay in our flagship VW luxury car lighting programme due to the announcement that it will be an all-electric vehicle

- At Carclo Diagnostic Solutions we have made good progress in line with our development timeline and have commenced an external healthcare practitioner review to provide additional feedback

Commenting on the results, Michael Derbyshire, Chairman said -

"The group's two main manufacturing divisions have produced excellent results in the first half of the year showing substantial progress over the comparative period last year.

Our strategy to expand the scale and quality of our manufacturing footprint at our existing sites has borne fruit in increased turnover, profitability and improving margins within Technical Plastics and further planned expansions underpin the strong growth prospects for this division.

We have continued the investment in the manufacturing capabilities at our Wipac facility and have achieved further programme wins, including from a new targeted customer group, significantly increasing the overall profitability of the division.

We have continued to make good technical progress with Carclo Diagnostic Solutions.

The board confirms that the group is trading in line with its expectations for the full year and expects the group to have a slightly stronger second half."

Enquiries

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Weber Shandwick Financial Nick Oborne / Tom Jenkins	020 7067 0700

A presentation for analysts will be held at **9.00 a.m.** on 17 November 2015 at the offices of Weber Shandwick Financial, 2 Waterhouse Square, 140 Holborn, London EC1N 2AE.

Notes to editors

<u>About Carclo</u>

Carclo plc is a public company whose shares are quoted on the London Stock Exchange.

Carclo's strategy is to develop and expand its key manufacturing assets where there remain significant further opportunities to drive value. To enhance profit margins the group has been investing in new technologies.

Approximately three fifths of revenues are currently derived from the supply of fine tolerance, injection moulded plastic components, mainly for medical products. The balance of revenue is derived mainly from the design and supply of specialised injection moulded LED based lighting systems to the low volume premium automotive industry.

<u>Forward looking statements</u>

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.

Overview

Overall, Carclo has traded strongly in the first half of the financial year, with good revenue and profit progression in both Technical Plastics and LED Technologies delivering a performance in line with the board's expectations.

Group revenues increased by 17.2% to £57.2 million (2014 - £48.8 million). Despite the adverse effects of the weaker Euro, group underlying operating profits of £4.7 million were significantly higher than in the comparative period last year (2014 - £2.6 million). This was driven by excellent performances in Technical Plastics and LED Technologies, with Precision Engineering broadly consistent with the comparative period last year and the CIT business delivering a break even result.

Unallocated costs are a little higher than the previous year and there has been an IAS 19 finance charge on the pension deficit of £0.2 million (in 2014 there was a nominal credit). Underlying profit before tax increased to £4.1 million (2014 - £2.3 million).

Underlying earnings per share for the six months to 30 September 2015 were 4.4p, an increase of 76.0% on the prior year (2014 – 2.5p). The group generated a profit before tax in the six months to 30 September 2015 of £4.1 million (2014 – loss of £21.2 million due to the CIT write down). Consequently, basic earnings per ordinary share increased to 4.5p (2014 – (31.7p)).

As is normal, the group expects a slightly stronger second half due to the phasing of tooling programmes and the usual seasonality of the businesses.

Operating review

Technical Plastics

Technical Plastics reported revenues of £31.5 million (2014 - £30.0 million), an increase of 4.9% on the same period last year. Operating profits, before rationalisation costs, increased by 11.5% to £2.5 million (2014 - £2.3 million).

Our strategy of expanding our existing sites and increasing our asset utilisation is showing the improved returns that we have been anticipating. Our underlying operating profit margin increased from 7.5% to 8.0% and a further margin increase is anticipated in the second half of the year as we drive to our target of 10%.

Our major new facility at Taicang, China is now complete and pre-production is underway for our multi-year programme for medical component manufacture by an existing, US-based customer. We will complete the relocation of our production assets from Shanghai to Taicang prior to the end of our financial year. Feedback from prospective customers of our Taicang business has been excellent and we remain confident that the Chinese healthcare market will be a major growth driver for our business.

Customer demand from both existing and new international clients is underpinning our decision to expand the manufacturing facility at Bangalore, India. We are currently finalising the plans for the expansion which will take place on land we already own, adjacent the current manufacturing unit, and which we expect to be operational during the next financial year.

The expanded facility at Latrobe, USA is operating fully now and supporting a mostly medical customer base and we anticipate efficiencies increasing through H2 as new programmes bed down. A new lease has been signed to further increase the manufacturing and warehousing footprint in Brno, Czech Republic as we continue to see opportunities in this region.

LED Technologies

The group's LED Technologies division consists of the LED Optics business and the Wipac LED based supercar lighting business.

Performance in the division during the first half was substantially stronger than in the comparative period last year with turnover increasing significantly by 47.6% to £21.2 million (2014 - £14.3 million) and underlying operating profit increasing by 64.6% to £2.8 million (2014 - £1.7 million). This was driven by a high level of design and development work being performed in the supercar lighting division as a number of projects approach the manufacturing stage. We anticipate that this work will continue to underpin our production revenues over the next few years. In addition we have also secured a flagship vehicle programme for a new major customer and we see significant potential over the next few years to develop this relationship.

The investment in the manufacturing capabilities of Wipac's Buckingham site has continued to enable our key customers to be well supported.

As reported in our half year trading update on 15 October 2015, the VW Group has announced that its flagship luxury vehicle which was due for launch in 2017 will now be launched as an all-electric vehicle. The full ramifications of this decision on the lighting design have not yet been confirmed but it is expected that this announcement will impact on the timing of anticipated related revenues due to the likely change in vehicle styling. All of our other vehicle lighting programmes are for specialist marques and none of these vehicles are currently subject to any reported, or speculated, concerns around emissions performance. The majority of forecast revenues for the current year and following year are expected to be generated outside of the VW Group and none of our forecast revenue from the VW Group is generated from the higher volume vehicle brands save for the delayed programme.

Our LED Optics business remains successful with good first half trading, particularly in the area of custom optics. This business also incorporates the smaller Wipac aftermarket retail businesses and warehousing and added additional warehousing space in Aylesbury in the period. We are now seeing strong growth in LED street lighting optics clusters and have introduced a new product range which we believe will drive further growth in the business.

Precision Engineering

The aerospace business had a more challenging period in the first half, with sales of £3.1 million (2014 - £2.7 million) and operating profits of £0.6 million (2014 - £0.7 million). This is mainly due to weaker demand impacting the higher margin spares segment order book during the summer.

Pleasingly however, order intake increased in the latter part of the period and we have a strong order book as we enter the second half. This business continues to produce strong margins and excellent cash generation.

CIT Technology ("CIT")

As previously discussed the group agreed a deal to license CIT's fine line technology to UniPixel Displays Inc. ("UniPixel"). The deal means that CIT will receive per annum payments of the greater of US$1.65 million or 1.67% of annual net product sales with an initial non-refundable cash prepayment of US$4.67 million received by CIT at completion earlier in the financial year.

This transaction was reflected in the carrying value of the investment in CIT held in the group's books at 31 March 2015. The accounting treatment requires the US$4.67 million prepayment of royalties to be reflected as income with an equivalent impairment of the investment.

In addition CIT had entered into a short-term coated film supply agreement with UniPixel with a latest expiry date of 31 October 2015. We can confirm that supply of coated film took place through to October but that it has now ceased and all contractual supply and support obligations ended at that time.

The effect of the above has, as expected, resulted in a breakeven position for CIT during this period.

Carclo Diagnostic Solutions ("CDS")

Carclo Diagnostic Solutions has continued to meet its development timelines. During the period we have been able to generate strong technical data on the performance of our Micropoc platform and this will be shown to potential collaborators at forthcoming medical conferences. We have now commissioned a healthcare practitioner review of the Micropoc platforms and intended applications as part of the board's wider strategy to continually evaluate the strength of the opportunity given our continued investment in this and our other businesses.

Financial position

As expected, net debt has risen since the year-end to £27.3 million (2014 - £22.4 million) due to the ongoing capital expenditure investment programme and a planned increase in working capital to build stock prior to our factory relocation from Shanghai to Taicang and support the growth in our Wipac luxury and supercar lighting business. The group's balance sheet remains strong and its financing is well within its two main banking covenant limits. The group generated cash from operations of £2.5 million (2014 - £0.2 million) with working capital increasing by £6.4 million (2014 - £4.6 million) due mainly to increased sub-contract tooling balances and higher inventory holdings due to the greater level of activity.

Capital expenditure in the six months to 30 September 2015 was £3.2 million (2014 - £3.2 million). This reflected the completion of the major facility expansion at our Technical Plastics facility in Taicang, China and the continued investment in manufacturing capabilities and capacity at Wipac to support the large influx of new technical high end automotive lighting programmes. Investment in new technologies continued with £0.8 million (2014 - £0.4 million) invested in development at CDS.

The pension scheme is currently undergoing the March 2015 triennial valuation and it is expected that this process will complete shortly. Since the start of the current financial year, the corporate bond yield, which is used to discount the group pension scheme liabilities, has increased but equity markets have weakened and this, alongside the adoption of more prudent mortality assumptions, has resulted in a pension deficit of £18.7 million as at 30 September 2015 compared to a deficit of £12.1 million at 31 March 2015 under IAS19 "Employee Benefits".

The board has declared an interim dividend of 0.90 pence per ordinary share (2014 - 0.85 pence). The dividend will be paid on 5 April 2016 to shareholders on the register on 4 March 2016. The shares will trade ex-dividend from 3 March 2016.

Risks and uncertainties

In the annual report to shareholders in June 2015 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.

Notice of adoption of Financial Reporting Standard (“FRS”) 101 - Reduced Disclosure Framework

The group’s consolidated financial statements will be prepared in accordance with European Union endorsed International Financial Reporting Standards (“IFRSs”).

In the preparation of the financial statements of its parent company Carclo plc for the period ended 31 March 2016, the group has elected to adopt Financial Reporting Standard 101 (“FRS 101”) ‘Reduced Disclosure Framework’. FRS 101 allows qualifying entities to adopt IFRSs but with a reduction in the required level of disclosures.

Carclo plc is obliged to give shareholders the opportunity to object to the adoption of FRS 101 and the disclosure exemptions therein.

Any shareholders wishing to object to the adoption of FRS 101 for the preparation of Carclo plc’s parent company accounts, should contact the Company Secretary, Richard Ottaway, in writing by no later than 31 December 2015.

Outlook

The group’s two main manufacturing divisions have produced excellent results in the first half of the year with both Technical Plastics and LED Technologies showing substantial progress over the comparative period last year.

Our strategy to expand the scale and quality of our manufacturing footprint at our existing sites has borne fruit in increased turnover, profitability and improving margins within Technical Plastics and further planned expansions underpin the strong growth prospects for this division.

We have continued the investment in the manufacturing capabilities at our Wipac facility and have achieved further programme wins, including from a new targeted customer group, significantly increasing the overall profitability of the division.

We have continued to make good technical progress with Carclo Diagnostic Solutions.

The board confirms that the group is trading in line with its expectations for the full year and expects the group to have a slightly stronger second half.

Condensed consolidated income statement

	Notes	**Six months ended 30 September 2015 unaudited**	Six months ended 30 September 2014 unaudited	Year ended 31 March 2015 audited
		£000	£000	£000
Revenue	4	**57,186**	48,796	107,503
Underlying operating profit				
Operating profit before exceptional items		**4,683**	2,570	7,789
- rationalisation costs	5	**77**	(2,236)	(3,351)
- litigation costs	5	**(60)**	-	(111)
- impairment of CIT Technology	5	**-**	(21,263)	(25,371)
- impairment of Platform Diagnostics	5	**-**	-	(2,835)
After exceptional items		**4,700**	(20,929)	(23,879)
Operating profit/(loss)	4	**4,700**	(20,929)	(23,879)
Finance revenue	6	**13**	27	64
Finance expense	6	**(620)**	(332)	(730)
Profit/(loss) before tax		**4,093**	(21,234)	(24,545)
Income tax (expense)/credit	7	**(1,146)**	251	1,772
Profit/(loss) after tax		**2,947**	(20,983)	(22,773)
Attributable to -				
Equity holders of the parent		**2,957**	(20,966)	(21,942)
Non-controlling interests		**(10)**	(17)	(831)
		2,947	(20,983)	(22,773)
Earnings per ordinary share	8			
Basic		**4.5 p**	(31.7) p	(33.2) p
Diluted		**4.5 p**	(31.7) p	(33.2) p

Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2015 unaudited £000	Six months ended 30 September 2014 unaudited £000	Year ended 31 March 2015 audited £000
Profit/(loss) for the period	**2,947**	(20,983)	(22,773)
Other comprehensive income -			
Items that will not be reclassified to the income statement			
Remeasurement losses on defined benefit scheme	**(6,413)**	(12,093)	(13,443)
Deferred tax arising	**1,535**	2,418	2,689
Total items that will not be reclassified to the income statement	**(4,878)**	(9,675)	(10,754)
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**(1,007)**	124	1,501
Total items that are or may in future be classified to the income statement	**(1,007)**	124	1,501
Other comprehensive income, net of income tax	**(5,885)**	(9,551)	(9,253)
Total comprehensive income for the period	**(2,938)**	(30,534)	(32,026)
Attributable to -			
Equity holders of the parent	**(2,928)**	(30,517)	(31,195)
Non-controlling interests	**(10)**	(17)	(831)
	(2,938)	(30,534)	(32,026)

Condensed consolidated statement of financial position

	Notes	**30 September 2015 unaudited £000**	30 September 2014 unaudited £000	31 March 2015 audited £000
Assets				
Intangible assets	10	**23,599**	30,026	26,000
Property, plant and equipment	11	**32,968**	29,522	31,721
Investments		**7**	7	7
Deferred tax assets		**9,219**	7,065	8,337
Total non current assets		**65,793**	66,620	66,065
Inventories		**15,305**	13,397	13,440
Trade and other receivables		**33,535**	21,901	24,367
Cash and cash deposits		**11,111**	8,779	10,855
Non current assets classified as held for sale	12	**700**	1,175	700
Total current assets		**60,651**	45,252	49,362
Total assets		**126,444**	111,872	115,427
Liabilities				
Interest bearing loans and borrowings		**29,523**	-	29,660
Deferred tax liabilities		**4,768**	5,598	4,768
Retirement benefit obligations	13	**18,737**	11,849	12,131
Total non current liabilities		**53,028**	17,447	46,559
Trade and other payables		**23,799**	17,672	17,219
Current tax liabilities		**2,553**	2,423	2,380
Provisions		**1,389**	755	2,203
Interest bearing loans and borrowings		**8,864**	31,207	5,713
Total current liabilities		**36,605**	52,057	27,515
Total liabilities		**89,633**	69,504	74,074
Net assets		**36,811**	42,368	41,353
Equity				
Ordinary share capital issued	18	**3,311**	3,309	3,310
Share premium		**18**	21,388	-
Other reserves		**2,254**	3,584	2,254
Translation reserve		**2,260**	1,890	3,267
Retained earnings		**28,978**	11,383	32,522
Total equity attributable to equity holders of the parent		**36,821**	41,554	41,353
Non-controlling interests		**(10)**	814	-
Total equity		**36,811**	42,368	41,353

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 £000	Non-controlling interests £000	Total equity £000
Current half year period – unaudited								
Balance at 1 April 2015	**3,310**	**-**	**3,267**	**2,254**	**32,522**	**41,353**	**-**	**41,353**
Profit for the period	**-**	**-**	**-**	**-**	**2,957**	**2,957**	**(10)**	**2,947**
Other comprehensive income -								
Foreign exchange translation differences	**-**	**-**	**(1,007)**	**-**	**-**	**(1,007)**	**-**	**(1,007)**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(6,413)**	**(6,413)**	**-**	**(6,413)**
Taxation on items above	**-**	**-**	**-**	**-**	**1,535**	**1,535**	**-**	**1,535**
Transactions with owners recorded directly in equity -								
Share based payments	**-**	**-**	**-**	**-**	**198**	**198**	**-**	**198**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(1,821)**	**(1,821)**	**-**	**(1,821)**
Exercise of share options	**1**	**18**	**-**	**-**	**-**	**19**	**-**	**19**
Balance at 30 September 2015	**3,311**	**18**	**2,260**	**2,254**	**28.978**	**36,821**	**(10)**	**36,811**
Prior half year period – unaudited								
Balance at 1 April 2014	3,303	21,291	1,766	3,584	43,781	73,725	831	74,556
Loss for the period	-	-	-	-	(20,966)	(20,966)	(17)	(20,983)
Other comprehensive income -								
Foreign exchange translation differences	-	-	124	-	-	124	-	124
Remeasurement losses on defined benefit scheme	-	-	-	-	(12,093)	(12,093)	-	(12,093)
Taxation on items above	-	-	-	-	2,418	2,418	-	2,418
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	(5)	(5)	-	(5)
Dividends to shareholders	-	-	-	-	(1,752)	(1,752)	-	(1,752)
Exercise of share options	6	97	-	-	-	103	-	103
Balance at 30 September 2014	3,309	21,388	1,890	3,584	11,383	41,554	814	42,368
Prior year period – audited								
Balance at 1 April 2014	3,303	21,291	1,766	3,584	43,781	73,725	831	74,556
Loss for the period	-	-	-	-	(21,942)	(21,942)	(831)	(21,773)
Other comprehensive income -								
Foreign exchange translation differences	-	-	1,501	-	-	1,501	-	1,501
Remeasurement losses on defined benefit scheme	-	-	-	-	(13,443)	(13,443)	-	(13,443)
Taxation on items above	-	-	-	-	2,689	2,689	-	2,689
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	330	330	-	330
Dividends to shareholders	-	-	-	-	(1,752)	(1,752)	-	(1,752)
Exercise of share options	7	97	-	-	-	104	-	104
Capital reduction	-	(21,388)	-	(1,330)	22,718	-	-	-
Taxation on items recorded directly in equity	-	-	-	-	141	141	-	141
Balance at 31 March 2015	3,310	-	3,267	2,254	35,522	41,353	-	41,353

Condensed consolidated statement of cash flows

	Notes	**Six months ended 30 September 2015 unaudited £000**	Six months ended 30 September 2014 unaudited £000	Year ended 31 March 2015 audited £000
Cash generated from operations	14	**2,499**	162	3,549
Interest paid		**(377)**	(288)	(650)
Tax paid		**(321)**	(373)	(712)
Net cash from operating activities		**1,801**	(499)	2,187
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**21**	37	43
Interest received		**13**	23	30
Acquisition of property, plant and equipment		**(3,180)**	(3,229)	(6,543)
Acquisition of intangible assets – computer software		**(52)**	(96)	(96)
Development expenditure		**(768)**	(840)	(1,346)
Net cash from investing activities		**(3,966)**	(4,105)	(7,912)
Cash flows from financing activities				
Proceeds from exercise of share options		**19**	103	103
Drawings on term loan facilities		**-**	4,500	21,674
Repayment of borrowings		**-**	-	(9,633)
Dividends paid		**(563)**	(561)	(1,752)
Net cash from financing activities		**(544)**	4,042	10,392
Net (decrease)/increase in cash and cash equivalents		**(2,709)**	(562)	4,667
Cash and cash equivalents at beginning of period		**5,142**	(111)	(111)
Effect of exchange rate fluctuations on cash held		**(186)**	110	586
Cash and cash equivalents at end of period	15	**2,247**	(563)	5,142

1. Basis of preparation

Except as outlined below, the condensed consolidated half year report for Carclo plc ("Carclo" or "the group") for the six months ended 30 September 2015 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2015 and in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct 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 below.

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 2015 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.

The comparative figures for the financial year ended 31 March 2015 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 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 17 November 2015 and is being sent to shareholders on 27 November 2015. 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").

The group meets its day-to-day working capital requirements through its banking facilities. The group's business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing financial risks to which it is exposed are disclosed in the group's 2015 Annual Report and Accounts. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

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 2015.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting period beginning on or after 1 April 2015. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2015:

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).

Annual Improvements to IFRSs 2010 - 2012 Cycle

Annual Improvements to IFRSs 2011 - 2013 Cycle

The above standards are not expected to have a material impact on the Consolidated Financial Statements.

IFRS 15 - "Revenue From Contracts With Customers" has been published which will be mandatory for the group's accounting period beginning on or after 1 April 2018. The group is still considering the impact of this standard however it is anticipated the impact on the financial position and performance of the group will not be material.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue a new standard on insurance contracts. The group will consider the financial impacts of this new standard when finalised.

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 2015.

4. Segment reporting

The group is organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Precision Engineering and CIT 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 group 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 LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for luxury cars and supercars.

The Precision Engineering segment supplies systems to the manufacturing and aerospace industries.

The CIT Technology segment licenses its applied research into the digital printing of conductive metals onto plastic substrates.

The Unallocated segment also includes the group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions, until these companies start to achieve income streams for the group.

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.

4. **Segment reporting** continued

The segment results for the six months ended 30 September 2015 were as follows –

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	**32,243**	**21,185**	**3,063**	**1,483**	**-**	**(788)**	**57,186**
Less inter-segment revenue	**(775)**	**(13)**	**-**	**-**	**-**	**788**	**-**
Total external revenue	**31,468**	**21,172**	**3,063**	**1,483**	**-**	**-**	**57,186**
Expenses	**(28,945)**	**(18,409)**	**(2,431)**	**(1,481)**	**(1,237)**	**-**	**(52,503)**
Underlying operating profit	**2,523**	**2,763**	**632**	**2**	**(1,237)**	**-**	**4,683**
Exceptional costs	**(98)**	**-**	**-**	**175**	**(60)**	**-**	**17**
Operating profit	**2,425**	**2,763**	**632**	**177**	**(1,297)**	**-**	**4,700**
Net finance expense							**(607)**
Income tax expense							**(1,146)**
Profit after tax							**2,947**
Consolidated statement of financial position							
Segment assets	**75,547**	**27,333**	**6,463**	**2,220**	**14,881**	**-**	**126,444**
Segment liabilities	**(12,984)**	**(6,713)**	**(889)**	**(1,214)**	**(67,833)**	**-**	**(89,633)**
Net assets	**62,563**	**20,620**	**5,574**	**1,006**	**(52,952)**	**-**	**36,811**

4. Segment reporting continued

The segment results for the six months ended 30 September 2014 were as follows –

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	31,005	14,347	2,719	1,742	-	(1,017)	48,796
Less inter-segment revenue	(1,010)	(7)	-	-	-	1,017	-
Total external revenue	29,995	14,340	2,719	1,742	-	-	48,796
Expenses	(27,732)	(12,661)	(1,996)	(2,770)	(1,067)	-	(46,226)
Underlying operating profit	2,263	1,679	723	(1,028)	(1,067)	-	2,570
Impairment costs	-	-	-	(21,263)	-	-	(21,263)
Reorganisation costs	(2,236)	-	-	-	-	-	(2,236)
Operating loss	27	1,679	723	(22,291)	(1,067)	-	(20,929)
Net finance expense							(305)
Income tax credit							251
Loss after tax							(20,983)
Consolidated statement of financial position							
Segment assets	66,632	18,903	6,446	6,514	13,377	-	111,872
Segment liabilities	(12,714)	(3,996)	(863)	(3,120)	(48,811)	-	(69,504)
Net assets	53,918	14,907	5,583	3,394	(35,434)	-	42,368

4. **Segment reporting** continued

The segment results for the year ended 31 March 2015 were as follows –

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	65,947	34,074	6,304	2,850	-	(1,672)	107,503
Less inter-segment revenue	(1,651)	(21)	-	-	-	1,672	-
Total external revenue	64,296	34,053	6,304	2,850	-	-	107,503
Expenses	(58,945)	(29,610)	(4,732)	(4,272)	(2,155)	-	(99,714)
Underlying operating profit	5,351	4,443	1,572	(1,422)	(2,155)	-	7,789
Impairment costs	-	-	-	(25,371)	(2,835)	-	(28,206)
Rationalisation costs	(3,351)	-	-	-	-	-	(3,351)
Litigation costs	-	-	-	-	(111)	-	(111)
Operating loss	2,000	4,443	1,572	(26,793)	(5,101)	-	(23,879)
Net finance expense							(666)
Income tax credit							1,772
Loss after tax							(22,773)
Consolidated statement of financial position							
Segment assets	72,325	22,328	6,464	5,701	8,609	-	115,427
Segment liabilities	(13,008)	(5,147)	(1,175)	(2,318)	(52,426)	-	(74,074)
Net assets	59,317	17,181	5,289	3,383	(43,817)	-	41,353

5. **Exceptional costs**

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Litigation costs	**(60)**	-	(111)
Rationalisation costs	**77**	(2,236)	(3,351)
Impairment review of CIT Technology	**-**	(21,263)	(25,371)
Impairment review of Platform Diagnostics	**-**	-	(2,835)
Total	**17**	(23,499)	(31,668)

All rationalisation costs relate to the group's UK operations.

Following an impairment review of CIT Technology an impairment of £2.968 million to its intangible assets has been recognised during the six months ended 30 September 2015. In addition income of £2.968 million has been recognised in respect of an agreement to license CIT Technology's fine line technology to UniPixel Inc. for an initial five year period. CIT has also granted a royalty free Intellectual Property License for UniPixel to use CIT's know-how for metal mesh touch screen technology.

6. Net finance expense

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Finance revenue	**13**	22	30
Finance expense	**(427)**	(332)	(730)
Net interest on the net defined benefit obligations	**(193)**	5	34
	(607)	(305)	(666)

7. Income tax expense

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
The charge / (credit) recognised in the condensed consolidated income statement comprises -			
Tax expense arising on ordinary activities	**1,142**	612	1,916
Deferred tax charge / (credit) arising on exceptional items	**22**	(863)	(2,928)
Current tax credit arising on exceptional items	**(18)**	-	(760)
Total income tax charge / (credit) recognised in the condensed consolidated income statement	**1,146**	(251)	(1,772)

The half year accounts include a tax charge of 28.0% of profit before tax (2014 - 27.0%) based on the estimated average effective income tax rate on ordinary activities for the full year. The group's effective tax rate on ordinary activities is at a higher level than the underlying UK tax rate of 20.0% (2014 - 21.0%) as the group is earning a higher proportion of its profits in higher tax jurisdictions.

During the six months ended 30 September 2015 a £1.535 million credit was recognised in other comprehensive income in respect of deferred tax arising on remeasurement losses on the defined benefit obligations.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent 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 equity holders of the parent 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 –

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Profit / (loss) after tax from continuing operations	**2,947**	(20,983)	(22,773)
Loss attributable to non-controlling interests	**10**	17	831
Profit / (loss) after tax, attributable to equity holders of the parent	**2,957**	(20,966)	(21,942)

	Six months ended 30 September 2015 Shares	Six months ended 30 September 2014 Shares	Year ended 31 March 2015 Shares
Weighted average number of ordinary shares in issue in the period	**66,202,185**	66,121,147	66,153,517
Effect of share options in issue	**34,751**	53,100	30,921
Weighted average number of ordinary shares (diluted) in the period	**66,236,936**	66,174,247	66,184,438

In addition to the above, the company also calculates an earnings per share based on underlying profit as the board believe this to be a better yardstick against which to judge the progress of the group. Underlying profit is defined as profit before impairments, rationalisation costs, one-off retirement benefit effects, exceptional bad debts, business closure costs, litigation costs and the impact of property and business disposals, net of attributable taxes.

The following table reconciles the group's profit to underlying profit used in the numerator in calculating underlying earnings per share -

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Profit / (loss) after tax, attributable to equity holders of the parent	**2,957**	(20,966)	(21,942)
Rationalisation costs, net of tax	**(62)**	1,940	3,100
Litigation costs, net of tax	**48**	-	111
Impairment review of CIT Technology, net of tax	**-**	20,696	21,933
Impairment review of Platform Diagnostics, net of tax	**-**	-	2,035
Underlying profit attributable to equity holders of the parent	**2,943**	1,670	5,237

8. Earnings per share continued

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

	Six months ended 30 September 2015 Pence	Six months ended 30 September 2014 Pence	Year ended 31 March 2015 Pence
Basic	**4.5**	(31.7)	(33.2)
Diluted	**4.5**	(31.7)	(33.2)
Underlying earnings per share – basic	**4.4**	2.5	7.9
Underlying earnings per share – diluted	**4.4**	2.5	7.9

9. Dividends paid and proposed

Ordinary dividends per 5 pence share paid in the period comprised -

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Final dividend for 2013/14 (1.80 pence per share)	**-**	1,192	1,189
Interim dividend for 2014/15 (0.85 pence per share)	**563**	-	563
Final dividend for 2014/15 (1.90 pence per share)	**1,258**	-	-
	1,821	1,192	1,752

The directors are proposing an interim dividend of 0.90 pence per ordinary share for the half year ended 30 September 2015. The dividend payment totalling £0.596 million will be paid on 5 April 2016 to shareholders on the share register at close of business on 4 March 2016. The proposed interim dividend has not been provided in the half year accounts.

10. Intangible assets

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

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Net book value at the start of the period	**26,000**	45,994	45,994
Additions	**821**	936	1,441
Impairment arising on review of CIT Technology	**(2,968)**	(15,941)	(17,825)
Impairment arising on review of Platform Diagnostics	**-**	-	(2,835)
Amortisation	**(79)**	(715)	(799)
Effect of movements in foreign exchange	**(175)**	(248)	24
Net book value at the end of the period	**23,599**	30,026	26,000

Included within intangible assets is goodwill of £18.9 million (2014 - £19.3 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 2015, 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.

11. Property, plant and equipment

The movements in the carrying value of property, plant and equipment are summarised as follows –

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Net book value at the start of the period	**31,721**	35,657	35,657
Additions	**3,400**	3,265	6,336
Depreciation	**(1,765)**	(1,974)	(3,613)
Disposals	**(6)**	(6)	(484)
Impairment arising on Harthill closure	**-**	(989)	(888)
Impairment arising on review of CIT Technology	**-**	(5,322)	(5,584)
Transfer of Harthill property to non current assets held for sale	**-**	(1,175)	(700)
Effect of movements in foreign exchange	**(382)**	66	997
Net book value at the end of the period	**32,968**	29,522	31,721

12. Non current assets classified as held for sale

	As at 30 September 2015 £000	As at 30 September 2014 £000	As at 31 March 2015 £000
Surplus land and buildings	**700**	1,175	700
Net book value at the end of the period	**700**	1,175	700

At the period end surplus property with a written down value of £0.700 million (2014 - £1.175 million) has been reclassified as being held for sale. This relates to the properties at the recently closed Harthill site.

These properties are being actively marketed with an expectation that they will be sold within the next year.

13. Retirement benefit obligations

At 31 March 2015, the group had a retirement benefit liability, as calculated under the provisions of IAS 19 "Employee Benefits", of £12.131 million. Since the start of the current financial year, equity markets have weakened which has resulted in the scheme's assets decreasing in value by £13.504 million to £175.488 million. However, an increase in the discount rate used to evaluate the scheme's liabilities, from 3.2% at the start of the period to 3.7% has contributed to the value of the liabilities decreasing by £6.898 million to £194.225 million. As a consequence the scheme, on an IAS 19 basis, has decreased from a £12.131 million liability at 31 March 2015 to a £18.737 million liability at 30 September 2015.

14. Cash generated from operations

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Operating profit / (loss)	**4,700**	(20,929)	(23,879)
Adjustments for -			
Pension fund contributions in excess of service costs	**-**	-	(1,039)
Depreciation charge	**1,765**	1,974	3,613
Amortisation of intangible assets	**79**	715	799
Exceptional tangible fixed asset write down, arising on rationalisation of business	**-**	6,311	6,472
Exceptional impairment of intangible assets, arising on rationalisation of business	**2,968**	15,941	20,660
Provisions (released) / charged in respect of rationalisation	**(814)**	755	2,203
(Profit) / loss on disposal of other plant and equipment	**(15)**	(31)	465
Share based payment charge / (credit)	**198**	(5)	330
Operating cash flow before changes in working capital	**8,881**	4,731	9,624
Changes in working capital			
(Increase) / decrease in inventories	**(2,039)**	(45)	246
Increase in trade and other receivables	**(9,474)**	(807)	(2,779)
Increase / (decrease) in trade and other payables	**5,131**	(3,717)	(3,542)
Cash generated from operations	**2,499**	162	3,549

Operating profit for the year includes the receipt of £2.968 million in respect of the royalty fee received from UniPixel Inc. in respect of CIT Technology as detailed in note 5.

15. Cash and cash equivalents

	As at 30 September 2015 £000	As at 30 September 2014 £000	As at 31 March 2015 £000
Cash and cash deposits	**11,111**	8,779	10,855
Bank overdrafts	**(8,864)**	(9,342)	(5,713)
	2,247	(563)	5,142

16. Net debt

The net movement in cash and cash equivalents can be reconciled to the change in net debt in the period as follows –

	Six months ended 30 September 2015 £000	Six months ended 30 September 2014 £000	Year ended 31 March 2015 £000
Net decrease in cash and cash equivalents	**(2,709)**	(562)	4,667
Net drawings of term loan borrowings	**-**	(4,500)	(12,041)
	(2,709)	(5,062)	(7,374)
Effect of exchange rate fluctuations on net debt	**(49)**	314	536
	(2,758)	(4,748)	(6,838)
Net debt at start of period	**(24,518)**	(17,680)	(17,680)
Net debt at end of period	**(27,276)**	(22,428)	(24,518)

17. Financial instruments

The fair values of financial assets and liabilities are not materially different from their carrying value.

There are no material items as required to be disclosed under the fair value hierarchy.

18. Ordinary share capital

Ordinary shares of 5 pence each -

	Number of shares	**£000**
Issued and fully paid at 31 March 2014	66,054,142	3,303
Shares issued on exercise of share options	135,000	7
Issued and fully paid at 30 September 2014	66,189,142	3,310
Shares issued on exercise of share options	-	-
Issued and fully paid at 31 March 2015	66,189,142	3,310
Shares issued on exercise of share options	24,000	1
Issued and fully paid at 30 September 2015	**66,213,142**	**3,311**

In the six months ended 30 September 2015, options over 24,000 ordinary shares were exercised at an average exercise price of 80.0 pence per share. The shares are fully paid.

19. Related parties

Identity of related parties

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

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 2015, the directors' remuneration amounted to £0.666 million (2014 - £0.340 million).

Group pension scheme

Carclo employs a third party professional firm to administer the group pension scheme. The associated investment costs are borne by the scheme in full. 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. Carclo incurred an administration cost of £0.377 million which has been charged against other operating expenses (2014 - £0.269 million).

21. Post balance sheet events

In October 2015, the group injected £1.068 million in cash into the group pension scheme in accordance with the agreed funding plan.

22. 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

Chris Malley- chief executive

Robert Brooksbank - finance director

17 November 2015

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 2015** 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 Conduct Authority ("the UK FCA"). 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 FCA.

As disclosed in note 1 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 2015** is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Johnathan Pass

For and on behalf of

KPMG LLP
Chartered Accountants
One Sovereign Square
Sovereign Street
Leeds LS1 4DA
17 November 2015