carclo

Interim

2017

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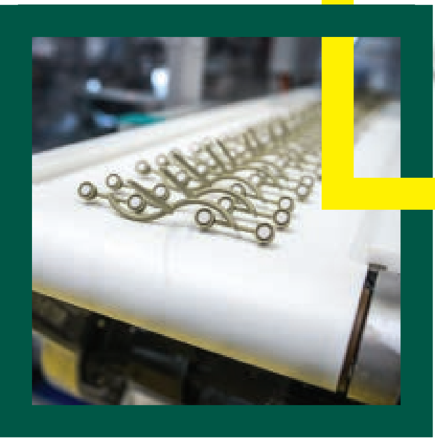
about carclo

Leading designer and manufacturer for premium automotive LED lighting

Global contract manufacturer to medical market



Leading supplier of control cables in Europe

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

Carclo's strategy is to develop and expand its key manufacturing assets in markets where there remain significant further opportunities to drive shareholder value. To enhance profit margins and support its customers, the Group has been investing across its global footprint.

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

highlights

Half year results for the six months ended 30 September 2017

Carclo traded solidly overall in the first half of the financial year with, as previously highlighted, an outperformance by the LED Technologies division offsetting the weaker than previously anticipated performances of the other divisions.

Financial Highlights

	H1 2017 £000	H1 2016 £000
Revenue		
Technical Plastics	43,748	39,240
LED Technologies	25,571	20,559
Aerospace	2,859	3,485
Total	72,178	63,284
Underlying* operating profit		
Technical Plastics	3,243	3,450
LED Technologies	3,385	2,913
Aerospace	359	715
Divisional	6,987	7,078
Unallocated	(1,583)	(1,503)
Total	5,404	5,575
Underlying* profit before tax	4,550	4,848
Profit before tax	4,550	4,830
Underlying* earnings per share	4.5p	5.6p

The highlights for the period to 30 September 2017 are summarised above -
*underlying is defined as before all exceptional items

Highlights

- Solid first half trading overall with, as previously highlighted, an outperformance by LED Technologies offsetting a weaker performance by Technical Plastics
- Technical Plastics underlying operating profit decreased by 6% to £3.2 million

  The division had a challenging start to the financial year with some key new programmes delayed into the second half and some operational issues that have now been largely resolved. The Board expects the division's performance to be significantly better in the second half
- LED Technologies performed very strongly and ahead of the Board's expectations, with revenues up 24% to £25.6 million and underlying operating profit up 16% to £3.4 million

  The division saw solid product sales in its supercar lighting business alongside strong design, development and tooling activity and new customer programme wins
- As anticipated, net debt rose to £29.6 million at the half year (31 March 2017 - £26.0 million), reflecting the timing of capital investment and the payment profile of ongoing design, development and tooling programmes. The Group's financing remains robust and well within banking covenants
- The Board anticipates full year trading will be in line with its expectations and the Group remains on track to grow substantially over the medium term

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.

Commenting on the results, Michael Derbyshire, Chairman said -

“The operational issues experienced within the first half of the year within Technical Plastics are now largely resolved and as a result the division's operating margins are expected to improve significantly in the second half, boosted by tooling and programme profitability. We have expanded the footprint of the division with the new factory build in India and the redevelopment of Mitcham and these actions will support our growth aspirations over the next few years.

In LED Technologies, Wipac has continued to perform well, with strong design, development and tooling activity and continued success in winning new customer programmes. There are several supercar pre-development programmes underway which will, once confirmed as full programmes, contribute to a stronger second half. We have completed a warehousing expansion at the Buckingham facility and this, along with the successful relocation of LED manufacturing to the CTP facility in Czech Republic, will provide capacity to continue to deliver our growth plan over the years to come.

The Board anticipates that the Group will trade in line with its expectations for the full year, with all three divisions set to have a stronger second half performance, and the Group remains on track to grow substantially over the medium term.”

chairman's statement

Overview

Carclo traded solidly overall in the first half of the financial year with, as previously highlighted, an outperformance by the LED Technologies division offsetting the weaker than previously anticipated performances of the other divisions.

Group revenues increased by 14.1% to £72.2 million (2016 - £63.3 million). This includes a positive currency effect of approximately £2.2 million versus the comparative period last year and the inclusion of approximately £2.6 million of revenue generated by PTD. Group underlying operating profits of £5.4 million were slightly lower than for the comparative period last year (2016 - £5.6 million).

Unallocated costs were marginally higher than the comparative period last year at £1.6 million (2016 - £1.5 million). The IAS 19 pension finance charge at £0.4 million (2016 - £0.4 million) was broadly in line with the comparative period last year. Underlying profit before tax decreased 6.1% to £4.6 million (2016 - £4.8 million).

The Group generated profit before tax in the six months to 30 September 2017 of £4.6 million (2016 - £4.8 million). Reported earnings per share for the six months to 30 September 2017 was 4.5p (2016 - 5.6p).

The Board expects the Group to have a stronger performance in the second half of the financial year. This reflects the improved operational performance within Technical Plastics and a greater proportion of the year's design and tooling profits falling into the remainder of the year.

Operating Review

Technical Plastics

The Group's Technical Plastics business reported revenues of £43.7 million (2016 - £39.2 million), an increase of 11.5% on the comparative period last year, due wholly to currency (which had a positive impact of approximately £2.2 million) and the inclusion of £2.6 million of revenue in respect of PTD. Divisional operating profits were £3.2 million (2016 - £3.5 million). The divisional operating margin was 7.4% (2016 - 8.8%); we expect this margin to improve in the second half of the year as operational improvements take effect and as tooling and project profits are recognised.

Our US and Czech businesses had a difficult start to the financial year due to some operational challenges. These centred on direct labour shortages in both regions and the delay in the commencement of some key new programmes late into the second half of the year. In addition there were significant raw material price increases in the US, which have now been passed onto customers under contractual agreements.

These issues have now been largely resolved, helping to drive higher profitability in the remainder of the year.

Demand from our Medical customers has continued to be strong and predictable. We have seen some weaker demand from non-Medical customers over recent months, although forward schedules continue to support our forecasts. The variability of demand outside of our Medical customers supports our strategy to continue to grow the proportion of Medical work within the division. The first half of this year has seen significant momentum in our efforts to both enhance our technical and validation skills for Medical production and to implement facility improvements in our Czech site; this has been supported by a more focused and integrated marketing drive. These actions have directly led to our first major Medical project being secured at the Czech facility for production in late 2018.

The expansion of our Bangalore, India facility on our land adjacent to the existing facility is now complete and this will create opportunities to develop new customers for the business as well as provide capacity to meet demand from existing customers. The Medical facility in Taicang, China is supporting the growth of its main Medical customer as well as continuing to attract new programmes from both new and existing Group customers.

As would normally be the case we have several new and replacement tooling and automation programmes anticipated to be awarded towards the end of the financial year and these will, once awarded and commenced contribute to current year profitability.

LED Technologies

The Group's LED Technologies division is made up of our Wipac premium automotive lighting business, based in Buckingham, UK and our LED Optics and aftermarket business, based in Aylesbury UK.

The performance of the division during the first half of the year was ahead of the comparative period last year with a 24.4% increase in turnover to £25.6 million (2016 - £20.6 million) as further programmes move into the manufacturing phase. Divisional operating profit increased by 16.2% to £3.4 million (2016 - £2.9 million).

Design, development and sub contract tooling revenues, which in aggregate made up over half of Wipac's sales, were ahead of expectations and this has driven an improved profit performance by the division for the period. Lighting product sales were slightly behind our target due to delayed production ramp ups on two new car launches. All of Wipac's current design, development and tooling projects are on plan and we are working on several pre-development programmes which, once confirmed as project awards, are anticipated to make a strong contribution to our second half profits. The market for low and medium volume lighting projects remains strong and we continue to be confident in achieving good growth in this sector with Wipac well placed to deliver significant growth into the future.

We have completed the building of an additional warehouse space at our Buckingham facility which, alongside relocating the LED Optics manufacturing to the Technical Plastics facility in Brno, Czech Republic, has released further manufacturing space. Further warehousing and office space is under negotiation within the Buckingham locality to free up further space.

The Aylesbury based LED Optics business continued to generate strong sales and profits, in particular from strong demand for custom optics.

Aerospace

The Group's Aerospace business had a weak first half performance, with sales of £2.9 million (2016 - £3.5 million) and divisional operating profits of £0.4 million (2016 - £0.7 million) due to a number of one-off machining contracts coming to an end as well as a generally weak spares demand. The second half is expected to benefit from a strengthening in spares demand, which is already being seen, as well as some new programmes moving to serial production.

This business continues to be both very profitable and cash generative for the Group, with little ongoing investment required.

chairman's statement

Financial position

Net debt has risen since the last financial year-end to £29.6 million (31 March 2017 - £26.0 million). Debt was expected to rise due to the timing of capital investment and an increase in working capital due to the investment and payment profile of ongoing design, development and tooling programmes. Net debt also reflects the continuing negative impact of weaker sterling on the re-translation of the Group's foreign currency denominated borrowings.

The Group generated cash from operations of £3.5 million (2016 - £3.2 million) with working capital increasing by £4.4 million (2016 - £4.5 million) due mainly to increased sub contract tooling activity. Capital expenditure in the six months to 30 September 2017 on a cash basis was £5.7 million (2016 - £3.6 million), the majority of which relates to investment in additional capacity in our UK and India Technical Plastics businesses and production machinery in Wipac.

The Group's pension deficit net of applicable deferred tax under IAS19 "Employee Benefits," has decreased to £24.8 million as at 30 September 2017 from £27.0 million at 31 March 2017. This was mainly due to a slightly higher discount rate based on increased corporate bond yields. The cash cost of the pension scheme has remained at similar levels and the annual recovery plan payment of £1.2 million was made subsequent to the 30 September 2017 period end. The Group's next triennial valuation is expected to be as at 31 March 2018.

Risks and uncertainties

In the annual report to shareholders in June 2017 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, while recognising the economic uncertainty around Brexit, the Board does not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 March 2017.

Outlook

The operational issues experienced in the first half of the year within Technical Plastics are now largely resolved and the division's operational margins are expected to improve significantly in the second half. Several new and replacement tooling and automation programmes are anticipated to commence towards the end of the financial year and contribute towards the division's profitability. The expansion of the division with the new factory build in India and the redevelopment of Mitcham, together with our strategy of increasing the proportion of Medical work, will help to drive the business forward over the years to come.

In LED Technologies, Wipac has continued to perform well, with strong design, development and tooling activity and continued success in winning new customer programmes. Several pre-development programmes are underway which will, once confirmed as full programmes, contribute to the expected stronger second half. We have completed a warehousing expansion at the Buckingham facility and this, along with the successful relocation of LED manufacturing to the CTP facility in Brno, Czech Republic, will provide capacity to continue to deliver our growth plan over the years to come.

The Board anticipates that the Group will trade in line with its expectations for the full year, with all three divisions set to have a stronger second half performance, and the Group remains on track to grow substantially over the medium term.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 September 2017 unaudited £000**	Six months ended 30 September 2016 unaudited £000	Year ended 31 March 2017 audited £000
Revenue	**5**	**72,178**	63,284	138,282
Underlying operating profit		**5,404**	5,575	12,498
– rationalisation costs	**6**	**(50)**	31	(233)
– litigation costs	**6**	**(21)**	(49)	(60)
– credit / (costs) arising on the disposal of surplus properties	**6**	**71**	-	(658)
– credit in respect of retirement benefits	**6**	**-**	-	410
Operating profit	**5**	**5,404**	5,557	11,957
Finance revenue	**7**	**57**	59	170
Finance expense	**7**	**(911)**	(786)	(1,649)
Profit before tax		**4,550**	4,830	10,478
Income tax expense	**8**	**(1,253)**	(1,151)	(2,496)
Profit after tax		**3,297**	3,679	7,982
Attributable to –				
Equity holders of the parent		**3,297**	3,688	7,995
Non-controlling interests		**-**	(9)	(13)
		3,297	3,679	7,982
Earnings per ordinary share	**9**			
Basic		**4.5p**	5.6p	11.5p
Diluted		**4.5p**	5.6p	11.5p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2017 unaudited £000	Six months ended 30 September 2016 unaudited £000	Year ended 31 March 2017 audited £000
Profit for the period	**3,297**	3,679	7,982
Other comprehensive income -			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit scheme	**3,004**	(27,736)	(10,074)
Deferred tax arising	**(422)**	4,137	1,364
Total items that will not be reclassified to the income statement	**2,582**	(23,599)	(8,710)
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**(1,119)**	4,523	5,271
Deferred tax arising	**-**	-	(769)
Total items that are or may in future be classified to the income statement	**(1,119)**	4,523	4,502
Other comprehensive income, net of income tax	**1,463**	(19,076)	(4,208)
Total comprehensive income for the period	**4,760**	(15,397)	3,774
Attributable to -			
Equity holders of the parent	**(4,760)**	(15,388)	3,787
Non-controlling interests	**-**	(9)	(13)
Total comprehensive income for the period	**(4,760)**	(15,397)	3,774

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2017 unaudited £000**	30 September 2016 unaudited £000	31 March 2017 audited* £000
Assets				
Intangible assets	**11**	**25,456**	21,704	25,702
Property, plant and equipment	**12**	**45,848**	40,014	43,423
Investments		**7**	7	7
Deferred tax assets		**10,344**	14,132	10,332
Total non current assets		**81,655**	75,857	79,464
Inventories		**19,176**	16,896	19,250
Trade and other receivables		**38,559**	32,614	38,468
Cash and cash deposits		**19,271**	19,462	22,269
Non current assets classified as held for sale	**13**	**200**	200	200
Total current assets		**77,206**	69,172	80,187
Total assets		**158,861**	145,029	159,651
Liabilities				
Interest bearing loans and borrowings		**29,820**	31,698	29,406
Deferred tax liabilities		**5,862**	5,636	6,140
Provisions		**-**	-	440
Trade and other payables		**101**	-	-
Retirement benefit obligations	**14**	**29,838**	51,347	32,503
Total non current liabilities		**65,621**	88,681	68,489
Trade and other payables		**21,764**	21,019	25,687
Current tax liabilities		**2,866**	2,755	2,056
Provisions		**494**	178	253
Interest bearing loans and borrowings		**19,077**	15,315	18,888
Total current liabilities		**44,201**	39,267	46,884
Total liabilities		**109,822**	127,948	115,373
Net assets		**49,039**	17,081	44,278
Equity				
Ordinary share capital issued	**19**	**3,664**	3,319	3,650
Share premium		**7,359**	410	7,359
Other reserves		**2,254**	2,254	2,254
Translation reserve		**7,230**	8,355	8,349
Retained earnings		**28,558**	2,765	22,692
Total equity attributable to equity holders of the parent		**49,065**	17,103	44,304
Non-controlling interests		**(26)**	(22)	(26)
Total equity		**49,039**	17,081	44,278

* Figures are audited exluding the impact of restatement to intangible assets, non current trade and other payables and translation reserve. Note 4 provides further details.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						Non-controlling interests £000	Total equity £000
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000		
Current half year period – unaudited								
Balance at 1 April 2017	**3,650**	**7,359**	**8,349**	**2,254**	**22,692**	**44,304**	**(26)**	**44,278**
Profit for the period	-	-	-	-	**3,297**	**3,297**	-	**3,297**
Other comprehensive income –								
Foreign exchange translation differences	-	-	**(1,119)**	-	-	**(1,119)**	-	**(1,119)**
Remeasurement gains on defined benefit scheme	-	-	-	-	**3,004**	**3,004**	-	**3,004**
Taxation on items above	-	-	-	-	**(422)**	**(422)**	-	**(422)**
Transactions with owners recorded directly in equity –								
Share based payments	**14**	-	-	-	**(13)**	**1**	-	**1**
Balance at 30 September 2017	**3,664**	**7,359**	**7,230**	**2,254**	**28,558**	**49,065**	**(26)**	**49,039**
Prior half year period – unaudited								
Balance at 1 April 2016	3,311	18	3,832	2,254	23,465	32,880	(13)	32,867
Profit for the period	-	-	-	-	3,688	3,688	(9)	3,679
Other comprehensive income –								
Foreign exchange translation differences	-	-	4,523	-	-	4,523	-	4,523
Remeasurement losses on defined benefit scheme	-	-	-	-	(27,736)	(27,736)	-	(27,736)
Taxation on items above	-	-	-	-	4,137	4,137	-	4,137
Transactions with owners recorded directly in equity –								
Share based payments	5	346	-	-	(193)	158	-	158
Dividends to shareholders	-	-	-	-	(596)	(596)	-	(596)
Exercise of share options	3	46	-	-	-	49	-	49
Balance at 30 September 2016	3,319	410	8,355	2,254	2,765	17,103	(22)	17,081
Prior year period – audited*								
Balance at 1 April 2016	3,311	18	3,832	2,254	23,465	32,880	(13)	32,867
Profit for the period	-	-	-	-	7,995	7,995	(13)	7,982
Other comprehensive income –								
Foreign exchange translation differences	-	-	5,286	-	-	5,286	-	5,286
Remeasurement losses on defined benefit scheme	-	-	-	-	(10,074)	(10,074)	-	(10,074)
Taxation on items above	-	-	(769)	-	1,364	595	-	595
Transactions with owners recorded directly in equity –								
Share based payments	-	-	-	-	451	451	-	451
Dividends to shareholders	-	-	-	-	(596)	(596)	-	(596)
Exercise of share options	8	46	-	-	(62)	(8)	-	(8)
Issue of share capital, net of costs	331	7,295	-	-	-	7,626	-	7,626
Taxation on items recorded directly in equity	-	-	-	-	149	149	-	149
Balance at 31 March 2017	3,650	7,359	8,349	2,254	22,692	44,304	(26)	44,278

* Figures are audited exluding the impact of restatement to foreign exchange translation differences in the period. Note 4 provides further details.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Six months ended 30 September 2017 unaudited £000**	Six months ended 30 September 2016 unaudited £000	Year ended 31 March 2017 audited £000
Cash generated from operations	**15**	**3,545**	3,215	8,916
Interest paid		**(507)**	(396)	(932)
Tax paid		**(642)**	(949)	(2,086)
Net cash from operating activities		**2,396**	1,870	5,898
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**54**	526	551
Interest received		**57**	59	170
Acquisition of subsidiaries, net of cash acquired		**-**	-	(5,672)
Acquisition of property, plant and equipment		**(5,745)**	(3,607)	(7,860)
Acquisition of intangible assets – computer software		**(63)**	(119)	(272)
Capitalised development expenditure		**-**	(9)	(102)
Net cash from investing activities		**(5,697)**	(3,150)	(13,185)
Cash flows from financing activities				
Proceeds from issue of share capital, net of costs		**-**	-	7,675
Proceeds from exercise of share options		**-**	49	-
Drawings on term loan facilities		**750**	-	-
Repayment of term loan facilities		**-**	(400)	(2,900)
Cash outflow in respect of performance share plan awards		**(248)**	(59)	(59)
Dividends paid		**-**	(596)	(596)
Net cash from financing activities		**502**	(1,006)	4,120
Net decrease in cash and cash equivalents		**(2,799)**	(2,286)	(3,167)
Cash and cash equivalents at beginning of period		**3,381**	5,996	5,996
Effect of exchange rate fluctuations on cash held		**(388)**	437	552
Cash and cash equivalents at end of period	**16**	**194**	4,147	3,381

NOTES ON THE ACCOUNTS

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 2017 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2017 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 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 2017 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 2017 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 14 November 2017 and is being sent to shareholders on 24 November 2017. 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 2017 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 2017.

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 2017. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2017:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses; and

Annual Improvements to IFRS standards 2014-2016 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.

IFRS 16 – "Leases" has been published which will be mandatory for the Group's accounting period beginning on or after 1 April 2019. The Group is still considering the impact of this standard although certain leases will be reclassified with the financial impact yet to be fully determined.

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 2017. Note 4 details changes in the assumptions of fair values of net assets acquired, including intangible assets and goodwill, and over the fair value of consideration payable in respect of acquisitions of subsidiaries during the year ended 31 March 2017.

4 Adjustment to comparative figures

The comparative figures for the year ended 31 March 2017 are restated after an adjustment of £636,000 to intangible assets and non current trade and other payables relating to the re-measurement of goodwill and deferred contingent consideration arising on the acquisition of PTD on 13 October 2016.

5 Segment reporting

The Group is organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Aerospace 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 the premium automotive industry.

The Aerospace segment supplies systems to the manufacturing and aerospace industries.

The CIT Technology segment manages its portfolio of IP over 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.

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	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2017 were as follows –							
Consolidated income statement							
Total revenue	44,635	25,698	2,859	-	-	(1,014)	72,178
Less inter-segment revenue	(887)	(127)	-	-	-	1,014	-
Total external revenue	43,748	25,571	2,859	-	-	-	72,178
Expenses	(40,505)	(22,186)	(2,500)	-	(1,583)	-	(66,774)
Underlying operating profit	3,243	3,385	359	-	(1,583)	-	5,404
Exceptional costs	178	-	-	(26)	(152)	-	-
Operating profit	3,421	3,385	359	(26)	(1,735)	-	5,404
Net finance expense							(854)
Income tax expense							(1,253)
Profit after tax							3,297
Consolidated statement of financial position							
Segment assets	96,032	43,574	6,473	1,297	11,485	-	158,861
Segment liabilities	(17,069)	(8,084)	(654)	(46)	(83,969)	-	(109,822)
Net assets	78,963	35,490	5,819	1,251	(72,484)	-	49,039

NOTES ON THE ACCOUNTS

5 Segment reporting continued

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2016 were as follows –							
Consolidated income statement							
Total revenue	39,864	20,665	3,485	-	-	(730)	63,284
Less inter-segment revenue	(624)	(106)	-	-	-	730	-
Total external revenue	39,240	20,559	3,485	-	-	-	63,284
Expenses	(35,790)	(17,646)	(2,770)	-	(1,503)	-	(57,709)
Underlying operating profit	3,450	2,913	715	-	(1,503)	-	5,575
Exceptional costs	(43)	-	-	471	(446)	-	(18)
Operating profit	3,407	2,913	715	471	(1,949)	-	5,557
Net finance expense							(727)
Income tax expense							(1,151)
Profit after tax							3,679
Consolidated statement of financial position							
Segment assets	93,148	31,425	7,474	1,664	11,318	-	145,029
Segment liabilities	(18,188)	(4,620)	(819)	(313)	(104,008)	-	(127,948)
Net assets	74,960	26,805	6,655	1,351	(92,690)	-	17,081

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the year ended 31 March 2017 as restated were as follows –							
Consolidated income statement							
Total revenue	89,428	43,628	7,049	-	-	(1,823)	138,282
Less inter-segment revenue	(1,614)	(209)	-	-	-	1,823	-
Total external revenue	87,814	43,419	7,049	-	-	-	138,282
Expenses	(79,107)	(37,534)	(5,746)	-	(3,397)	-	(125,784)
Underlying operating profit	8,707	5,885	1,303	-	(3,397)	-	12,498
Exceptional costs	(1,012)	-	-	640	(169)	-	(541)
Operating profit	7,695	5,885	1,303	640	(3,566)	-	11,957
Net finance expense							(1,479)
Income tax expense							(2,496)
Profit after tax							7,982
Consolidated statement of financial position							
Segment assets	103,658	38,182	6,505	1,364	9,942	-	159,651
Segment liabilities	(23,723)	(6,160)	(753)	(86)	(84,651)	-	(115,373)
Net assets	79,935	32,022	5,752	1,278	(74,709)	-	44,278

*The Technical Plastics segment's assests and liabilities have been reduced by £621,000 and £636,000 respectively. Note 4 provides further details.

NOTES ON THE ACCOUNTS

6 Exceptional costs	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Litigation costs	**(21)**	(49)	(60)
Net rationalisation costs	**(50)**	31	(233)
Credit / (costs) arising on the disposal of surplus properties	**71**	-	(658)
Credit in respect of retirement benefits	**-**	-	410
	-	(18)	(541)

7 Net finance expense	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Interest receivable on cash at bank	**57**	59	170
Interest payable on bank loans and overdrafts	**(490)**	(391)	(842)
Losses on financial liabilities designated as fair value through profit or loss	**-**	-	(15)
Net interest on the net defined benefit liability	**(421)**	(395)	(792)
	(854)	(727)	(1,479)

8 Income tax expense	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
The expense recognised in the condensed consolidated income statement comprises -			
Tax expense arising on ordinary activities	**(1,253)**	(1,155)	(2,614)
Deferred tax credit arising on exceptional items	**-**	-	104
Current tax credit arising on exceptional items	**-**	4	14
Total income tax expense recognised in the condensed consolidated income statement	**(1,253)**	(1,151)	(2,496)

The half year accounts include a tax charge of 27.5% of profit before tax (2016 - 23.8%) 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 19.0% (2016 - 20.0%) as the Group is earning a higher proportion of its profits in higher tax jurisdictions.

During the six months ended 30 September 2017 a £0.422 million debit was recognised in other comprehensive income in respect of deferred tax arising on remeasurement gains on the defined benefit obligations.

Deferred tax assets and liabilities at 30 September 2017 have been calculated on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020. This rate became substantively enacted on 6 September 2016. This will reduce the UK companies' future current tax charge accordingly. The deferred tax asset at 30 September 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

NOTES ON THE ACCOUNTS

9 Earnings per share

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

	Six months ended 30 September 2017 £000	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Profit after tax from continuing operations	**3,297**	3,679	7,982
Loss attributable to non-controlling interests	**-**	9	13
Profit after tax from continuing operations has been restated as detailed in Note 4.	**3,297**	3,688	7,995

	Six months ended 30 September 2017 Shares	Six months ended 30 September 2016 Shares	Year ended 31 March 2017 Shares
Weighted average number of ordinary shares in the period	**73,416,599**	66,285,508	69,381,504
Effect of share options in issue	**1,120**	1,184	1,250
Weighted average number of ordinary shares (diluted) in the period	**73,417,719**	66,286,692	69,382,754

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 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Profit after tax, attributable to equity holders of the parent	**3,297**	3,688	7,995
Rationalisation costs, net of tax	**41**	(25)	169
Litigation costs, net of tax	**17**	39	48
Costs arising on the disposal of surplus properties, net of tax	**(58)**	-	546
Credit in respect of retirement benefits, net of tax	**-**	-	(340)
Underlying profit attributable to equity holders of the parent	**3,297**	3,702	8,418

The following table summarises the earnings per share figures based on the above data –	**Six months ended 30 September 2017 Pence**	Six months ended 30 September 2016 Pence	Year ended 31 March 2017 Pence
Basic	**4.5**	5.6	11.5
Diluted	**4.5**	5.6	11.5
Underlying earnings per share - basic	**4.5**	5.6	12.1
Underlying earnings per share - diluted	**4.5**	5.6	12.1

NOTES ON THE ACCOUNTS

10 Dividends paid and proposed	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Ordinary dividends per 5 pence share paid in the period comprised –			
Interim dividend for 2015/16 (0.90 pence per share)	**-**	596	-
	-	596	-

As outlined in the annual report 2017 the directors are not proposing an interim dividend for 2017/18.

11 Intangible assets	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Restated* year ended 31 March 2017 £000
The movements in the carrying value of intangible assets are summarised as follows –			
Net book value at the start of the period	**25,702**	20,257	20,257
Additions	**62**	128	370
Acquisitions through business combinations	**-**	-	3,739
Impairment arising on review of CIT Technology	**-**	(16)	-
Amortisation	**(139)**	(63)	(149)
Effect of movements in foreign exchange	**(169)**	1,398	1,485
Net book value at the end of the period	**25,456**	21,704	25,702

Included within intangible assets is goodwill of £24.1 million (2016 - £21.2 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 2017, 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.

* Acquisitions through business combinations in the year ended 31 March 2017 have been restated as detailed in note 4.

NOTES ON THE ACCOUNTS

12 Property, plant and equipment	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
The movements in the carrying value of property, plant and equipment are summarised as follows –			
Net book value at the start of the period	**43,423**	36,597	36,597
Additions	**5,745**	3,585	8,182
Acquisitions through business combinations	**-**	-	495
Depreciation	**(2,369)**	(2,344)	(4,535)
Disposals	**(61)**	(29)	(88)
Effect of movements in foreign exchange	**(890)**	2,205	2,772
Net book value at the end of the period	**45,848**	40,014	43,423

13 Non current assets classified as held for sale	**As at 30 September 2017 £000**	As at 30 September 2016 £000	As at 31 March 2017 £000
Surplus land and buildings	**200**	200	200
Net book value at the end of the period	**200**	200	200

At the period end surplus property with a written down value of £0.200 million (2016 - £0.200 million) has been reclassified as being held for sale. This relates to the remaining property at the closed Harthill site. It is being actively marketed with an expectation that it will be sold within the next year.

14 Retirement benefit obligations

At 31 March 2017 the Group had a retirement benefit liability, as calculated under the provisions of IAS 19 "Employee Benefits", of £32.503 million. Since the start of the current financial year, positive asset returns of £2.539 million have been offset by £6.443 million of benefit payments which has resulted in the scheme's assets decreasing in value by £3.904 million to £173.041 million. However, the impact of an increase in the discount rate used to evaluate the scheme's liabilities, from 2.6% at the start of the period to 2.7% has offset the interest expense arising on the liabilites which, combined with the benefit payments, has resulted in the value of the liabilities decreasing by £6.569 million to £202.879 million. As a consequence the scheme, on an IAS 19 basis, has decreased from a £32.503 million liability at 31 March 2017 to a £29.838 million liability at 30 September 2017.

15 Cash generated from operations	**Six months ended 30 September 2017 £000**	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Operating profit	**5,404**	5,557	11,957
Adjustments for –			
Pension fund contributions in excess of service costs	**-**	-	(1,169)
Depreciation charge	**2,369**	2,344	4,535
Amortisation of intangible assets	**139**	63	149
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	16	-
Loss on disposal of other plant and equipment	**7**	3	37
Exceptional credit in respect of retirement benefits	**-**	-	(410)
Provisions charged in respect of exit of Harthill operation	**-**	-	685
Cash flow relating to provision for site closure costs	**(201)**	(442)	(612)
Share based payment charge	**249**	216	452
Operating cash flow before changes in working capital	**7,967**	7,757	15,624
Changes in working capital			
Increase in inventories	**(327)**	(507)	(2,044)
Increase in trade and other receivables	**(442)**	(4,937)	(9,225)
(Decrease) / increase in trade and other payables	**(3,653)**	902	4,561
Cash generated from operations	**3,545**	3,215	8,916

NOTES ON THE ACCOUNTS

16 Cash and cash equivalents

	As at 30 September 2017 £000	As at 30 September 2016 £000	As at 31 March 2017 £000
Cash and cash deposits	**19,271**	19,462	22,269
Bank overdrafts	**(19,077)**	(15,315)	(18,888)
	194	4,147	3,381

17 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 2017 £000	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Net decrease in cash and cash equivalents	**(2,799)**	(2,286)	(3,167)
Net (drawings) / repayment of term loan borrowings	**(750)**	400	2,900
	(3,549)	(1,886)	(267)
Effect of exchange rate fluctuations on net debt	**(52)**	(915)	(1,008)
	(3,601)	(2,801)	(1,275)
Net debt at start of period	**(26,025)**	(24,750)	(24,750)
Net debt at end of period	**(29,626)**	(27,551)	(26,025)

18 Financial instruments

The fair value 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.

19 Ordinary share capital

	Number of shares	£000
Ordinary shares of 5 pence each -		
Issued and fully paid at 31 March 2016	66,213,142	3,311
Shares issued on exercise of share options	163,500	8
Issued and fully paid at 30 September 2016	66,376,642	3,319
Shares issued on placing of shares for cash	6,631,026	331
Issued and fully paid at 31 March 2017	73,007,668	3,650
Shares issued on exercise of share options	279,250	14
Issued and fully paid at 30 September 2017	**73,286,918**	**3,664**

In the six months ended 30 September 2017, nil-cost options over 279,250 ordinary shares were exercised under a long term incentive plan at an average exercise price of 0.0 pence per share. The shares are fully paid.

NOTES ON THE ACCOUNTS

20 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 2017, the directors' remuneration amounted to £0.716 million (2016 - £0.476 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 £0.265 million which has been charged against other operating expenses (2016 - £0.319 million).

21 Post balance sheet events

In October 2017, the Group injected £1.203 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

14 November 2017

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 2017 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, 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 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Pass

For and on behalf of

KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

14 November 2017

carclo

REGISTERED OFFICE: SPRINGSTONE HOUSE, PO BOX 88,
27 DEWSBURY ROAD, OSSETT, WEST YORKSHIRE WF5 9WS

T +44 (0) 1924 268040 F +44 (0) 1924 283226 W www.carclo-plc.com
E investor.relations@carclo-plc.com

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