Carclo plc
("Carclo" or the "Group")

Interim Report and Accounts

Half-year results for the six months ended 30 September 2023

Carclo plc, the leading global provider of high-precision components, offering comprehensive services from mould design, automation, and production to assembly and printing, serving the life sciences, aerospace, optics, and tech sectors, announces its results for the first six months of its financial year ending 31 March 2024 ("H1 2024").

Highlights:

- The Group faced challenging market conditions compared to the prior year, in particular from the life sciences sector, as demand for diagnostic equipment fell with key customers adjusting to post-COVID requirements. Demand from the aerospace sector remained robust. As a result, revenue from continuing operations decreased by 7.2% (4.8% at constant currency) to £66.9 million (H1 2023: £72.2 million).
- Our focus on operational excellence and efficiency delivered improved manufacturing contribution margins, in particular from our European operations, which partially mitigated the effect of the reduced volumes. As a result, segmental underlying return on sales increased to 7.0% from 6.5%.
- Underlying operating profit from continuing operations was £2.2 million (H1 2023: £3.6 million) with the £0.7 million foreign currency gain in H1 2023 not repeated in H1 2024 (£nil). On a constant currency basis, underlying operating profit was down by £1.1 million.
- Net exceptional costs in the period were £2.1 million (H1 2023: £0.3 million) being primarily £1.0 million rationalisation costs of which £0.4 million was cash. There is also a £1.0 million past service pension cost which is non-cash.
- We made excellent progress on the key strategic goal of improving the Group's cash generation with cash generated from operations of £11.4 million (H1 2023: £0.5 million) largely driven by strict working capital management.
- Net debt, including IFRS16 lease liabilities, decreased to £29.5 million (31 March 2023: £34.4m) as a result of the focus on cash management to allow increased debt repayment.
- The tough market conditions are expected to continue in the near term, primarily in the US. A major restructuring plan for the US business is being actioned to reduce expense and to drive operational efficiency with the full year benefit expected to be realised in FY 2025.

Commenting on the results, Frank Doorenbosch, Chief Executive Officer said:

"The Carclo team has responded robustly to the fall in demand by our major customers by adapting our business to achieve enhanced contribution margins through increased efficiency. This has allowed the Group to maintain profitability from its manufacturing operations and to achieve a significant increase in cash generation in H1 2024 compared to H1 2023. This activity will continue through H2 2024 to place the Group on a sound footing for FY 2025, so that we are well placed to satisfy the future recovery in demand and retain our position as the trusted partner of major blue-chip customers, in markets with medium to long term demand. Our strategy continues to focus on operational excellence and improved asset utilisation, in order to deliver outstanding service to our customers, and superior returns to our shareholders."

The key financial performance measures for the period are as follows:

	H1 2024	H1 2023
	£000	£000
Continuing operations		
Revenue	**66,921**	72,151
Underlying operating profit[1]	**2,232**	3,593
Exceptional items	**(2,095)**	(332)
Operating profit	**137**	3,261
Underlying (loss) / earnings per share - basic	**(0.5p)**	1.5p
Basic (loss) / earnings per share	**(3.0p)**	0.9p
	£000	£000
Cash generated from operations	**11,439**	512
	H1 2024	FY 2023
	£000	£000
Net debt excluding lease liabilities	**17,838**	22,490
Net debt	**29,500**	34,360
IAS 19 retirement benefit liability	**36,683**	34,493

Continuing operations

Revenue	**H1 2024 £000**	H1 2023 £000
CTP	63,072	69,133
Aerospace	3,849	3,018
Total	**66,921**	**72,151**
Underlying operating profit[1]		
CTP	3,687	4,009
Aerospace	1,002	673
Segment total	**4,689**	**4,682**
Central	(2,457)	(1,089)
Total	**2,232**	**3,593**

Notes:

(1) Underlying results are those calculated before exceptional items. A reconciliation to statutory figures is set out below.

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Forward-looking statements
Certain statements made in these reports & accounts are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause outcomes to differ materially from those expected.

Alternative performance measures
Alternative performance measures are defined in the financial review of the Annual Report and Accounts (ARA) for the year ended 31 March 2023, with a reconciliation to statutory figures included in this Half Year Report to aid the user of these accounts. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The term 'underlying' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Overview of Results
Group revenue fell by 7.2% to £66.9 million (H1 2023: £72.2 million), primarily as a result of the decrease in demand by major life sciences in vitro diagnostics companies restructuring their businesses as the demand for PCR-based diagnostic testing significantly reduced. At constant exchange rates, revenue decreased by 4.8%.

Revenue	**H1 2024 £000**	**H1 2023 £000**
CTP Design & Engineering	11,322	10,151
CTP Manufacturing Solutions	51,750	58,982
CTP Total Revenue	63,072	69,133
Aerospace	3,849	3,018
Total	**66,921**	**72,151**
Underlying operating profit		
CTP	3,687	4,009
Aerospace	1,002	673
Segment total	4,689	4,682
Central	(2,457)	(1,089)
Total	**2,232**	**3,593**
	%	**%**
Segmental underlying return on sales	**7.0**	6.5

Group underlying operating profit fell to £2.2 million (H1 2023: £3.6 million) largely due to a fall in demand for medical components. Exchange gains of £0.7 million in H1 2023 did not repeat in H1 2024, accounting for a major part of the fall in reported profit. At constant exchange rates underlying operating profit fell by £1.1 million, this being the difference between current period underlying operating profit and prior year underlying operating profit translated at the current year's average exchange rate. This impact is primarily in the CTP segment.

Net finance costs increased by £1.0 million to £2.6 million (H1 2023: £1.6 million) as a result of increasing market interest rates. Finance costs include the imputed net interest on the defined benefit pension liability of £0.8 million (H1 2023: £0.3 million).

The Group incurred net exceptional operating costs of £2.1 million in the period (H1 2023: £0.3 million), comprising £1.0 million rationalisation costs primarily in respect of the central division and CTP segment, £1.0 million past service cost in respect of retirement benefits GMP equalisation, a further £0.4 million net costs in respect of the cancellation of the future supply agreement announced earlier this year and a credit for the release of £0.3 million provisions not required following settlement of legacy claims.

Group loss before tax was £2.5 million (H1 2023: £1.7 million profit).

The income tax credit was £0.3 million (H1 2023: £1.0 million expense) and the underlying tax credit was £0.1 million (H1 2023: expense £0.9 million). The effective tax rate was 13.2% credit (H1 2023: 59.5% expense). The underlying effective tax rate was 17.7% credit (H1 2023: 43.8% expense) primarily due to the fall in taxable profits in the US.

Underlying earnings per share was 0.5 pence loss (H1 2023: 1.5 pence earnings). The statutory earnings per share for the period was 3.0 pence loss (H1 2023: 0.9 pence earnings).

ROCE was 8.4% (H1 2023: 10.1%) reflecting the operating profit reduction in the period.

CTP division
CTP revenues fell 8.8% to £63.1 million (H1 2023: £69.1m), reflecting the decrease in demand by major customers due to the significant fall in PCR-based diagnostic testing.

The CTP business principally operates in three key market sectors: Life Sciences, Precision Components and Optics. The Life Science segment experienced a marked fall in healthcare demand during the first half, down 12.3% to £51.8 million (H1 2023: £59.0m), particularly in North America which is exposed to the larger life science analytics market. New product development activity remained high and is set to improve demand in the medium to long term.

Demand in our traditional optics market of eyecare and aftermarket car-lighting significantly reduced, reflecting the constraints that consumers have seen as the cost of living increases. However, the products maintain a high contribution margin on the lowered activity level. Cost reductions are being implemented which are expected to improve profitability in the second half and beyond.

CTP Design and Engineering activity in the first half remained at a high level, with revenue £11.3 million, up 11.5% compared to the prior year (H1 2023: £10.2 million). The high level of Design and Engineering activity experienced over the last 18 months is expected to be converted into improved manufacturing efficiency during the next financial year.

CTP return on sales ratio remained stable at 5.8% as the benefit of significantly improved efficiency in the UK operations offset the impact of reduced volumes in the US, China and India. The business continues to seek opportunities to increase prices where possible to mitigate the effect of input cost increases. The current focus is on improving the cost base and efficiency of the business' US operations which is expected to have a significant positive impact on the performance in the second half of this financial year.

The decreased revenues resulted in CTP underlying operating profit being marginally lower than the prior year at £3.7 million (H1 2023: £4.0 million) whilst maintaining a stable return on sales of 5.8%. Compared to the second half of last year CTP delivered an increase in underlying operating profit of £0.4 million.

Aerospace division
The aerospace market continued to recover as aircraft manufacturers restarted build programs responding to the continuing increase in passenger numbers from the low levels during the height of the COVID pandemic. As a result, Aerospace first half revenues grew by 27.5% to £3.8 million (H1 2023: £3.0 million).

Aerospace return on sales ratio strengthened further to 26.0% (H1 2023: 22.3%) as the business benefitted from the focus on its niche products. As a result, the increased activity levels translated into robust growth in underlying operating profit, up 48.9% at £1.0 million (H1 2023: £0.7 million).

Central costs
Central costs increased by £1.4 million to £2.5 million largely due to the non-repeat of significant foreign exchange gains in the prior year and investing in stronger leadership of the company.

Carclo 2025 Strategy
The strategic focus for the business continues to be to drive improved returns and cash flow through our Carclo 2025 plan, "Focus and Value", which resets our operational model and is targeted to restore our margins, with the medium-term goal of delivering a through-cycle ROCE of 15%. The key elements of the Carclo 2025 plan are:

- A focus on operational excellence throughout the business to increase efficiency and improve customer service.
- Increasing the utilisation of our asset base, in particular in the CTP business, with near-term investment focused on continuous improvement, delivering more predictable and higher returns.
- Targeting growth in less capital-intensive areas of the business.
- Building a "One Carclo" culture of entrepreneurialism and collaboration across the group to re-establish Carclo as a destination for talent and career development.

We have made excellent progress on improving the efficiency of our European operations and our focus is now on replicating this turnaround across our US business. Our focus on cash management has delivered a significant improvement in cash generation and allowed us to reduce the Group's debt burden over and above the required scheduled debt repayments.

Board changes
On 21 August 2023 the Board announced, with immediate effect, the resignation of David Bedford as Chief Financial Officer, Company Secretary, and as a Director of the Company. On the same day, Eric Hutchinson, formerly a Non-Executive Director was appointed as Chief Financial Officer and Company Secretary with immediate effect, thus becoming an Executive Director.

Also on 21 August 2023, Rachel Amey, a Non-Executive Director, was appointed as Chair of the Audit & Risk Committee, Interim Chair of the Remuneration Committee and Interim Senior Independent Director with immediate effect. Rachel joined the Board as a Non-Executive Director on 1 March 2023. This essential strengthening of the leadership team is necessary to ensure the successful turnround of the Group and achieving the Carclo 2025 Plan.

Financial Position
Net debt excluding lease liabilities decreased by £4.7 million during the first half to £17.8 million (31 March: 2023 £22.5 million). Total net debt decreased by £4.9 million to £29.5 million (31 March 2023: £34.4 million). Cash was £7.2 million (31 March 2023: £10.4 million).

Cash
Net cash inflow from operating activities during the first half was £8.5 million (H1 2023: net cash outflow £1.3 million), comprising underlying EBITDA of £6.2 million (H1 2023: £7.5 million), net working capital inflows of £7.0 million (H1 2023: outflow £4.7 million), net pension contributions of £1.4 million (H1 2023: £1.6 million), interest costs of £2.2 million (H1 2023: £1.2 million), taxes of £0.7 million (H1 2023: £0.7 million), exceptional rationalisation costs of £0.4 million (H1 2023: £0.7 million). Focus on cash management resulted in a working capital turnaround benefit of £11.7 million; with the current year working capital reducing by £7.0 million against a prior period increase of £4.7 million.

Net cash outflow from investing activities during the first half was £1.7 million (H1 2023: inflow £0.2 million) comprising mainly £2.1 million for capital investment in adapting production lines for new products expected to be manufactured in H2 2024.

Net cash outflow from financing activities during the first half was £10.0 million (H1 2023: £1.6 million), comprising £2.1 million repayment of lease liabilities (H1 2023: £1.8 million) and net repayment of other borrowings £7.9 million (H1 2023: £0.9 million).

A negligible foreign exchange gain on cash (H1 2023: £1.1 million), coupled with the £3.2 million net cash outflow (H1 2023: net cash outflow £2.7 million) resulted in an overall £3.2 million reduction in cash during the first half (H1 2023: £1.6 million).

Debt
Debt decreased by £8.0 million during the first half of the financial year to £36.7 million. It was reduced by £4.4 million repayments of term loans (of which £3.7 million were unscheduled), £3.5 million repayment of the revolving credit facility and £2.1 million repayments of lease liabilities. It was increased by £1.8 million from new lease debt and by £0.1 million from negative foreign exchange movements.

The debt facilities available to the Group at 30 September 2023 comprise term loans of £25.1 million, denominated in sterling 9.9 million, in US Dollar 13.3 million and in Euro 4.9 million. Of the sterling loan £0.7 million will be amortised by 31 March 2024, a further £2.2 million by 31 March 2025 and a final payment of £1.3 million in May 2025 before the balance becomes payable by 30 June 2025. The facility also includes a £3.5 million revolving credit facility, denominated in sterling, maturing 30 June 2025.

The revolving credit facility was fully repaid in the period to 30 September 2023, leaving an amount drawn at that date of £nil (31 March 2023: £3.5 million).

Pensions
The most recent triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2021. This reported a significantly reduced actuarial technical deficit of £82.8 million (previously £90.4 million based upon the 31 March 2018 valuation).

The statutory accounting method of valuing the Group pension scheme deficit under IAS 19 resulted in net liability of £36.7 million at 30 September 2023 (31 March 2023: £34.5 million). Remeasurement gains during the first half of the financial year were £7.9m, due mainly to a change in the discount rate from 4.90% to 5.55%. These were offset by £9.6m adverse asset return experience over the period due to the Scheme's liability-driven investments being designed to hedge the larger actuarial liabilities and therefore being over-hedged relative to the IAS 19 liabilities and due to falls in the Scheme's growth assets, offset partially by an increase in corporate bond spreads. Further, a GMP equalisation past service cost of £1.0 million has been recognised as an exceptional item in the period to 30 September 2023.

Over the period, the Group's contributions to the scheme were £1.8 million (H1 2023: £2.4 million).

Dividend
Under the terms of its financing agreements the Company is not permitted to make a dividend payment to shareholders before June 2025.

Outlook
The tough market conditions are expected to continue in the near term. In the US demand for Manufacturing Solutions is anticipated to continue at the lower levels experienced during H1 2024, with Design and Engineering activity reducing as programmes are completed. A major restructuring plan for the US business is being actioned to reduce expense and to drive operational efficiency with the full year benefit expected to be realised in FY 2025.

Increased global interest rates are impacting the cost of financing the Group and we expect these to persist. We continue to seek opportunities to reduce the Group's debt burden wherever possible.

All of the above means that the severe downside risk scenarios considered by the Board when assessing the Group's future prospects create a material uncertainty that the interest cover covenant will not be met in March 2024.

The Board remains positive about the medium to long term prospects for the Group, driven by structural growth drivers in our end-markets, our strong customer relationships across our global footprint and the opportunity to drive improved financial performance through our focus on operational excellence.

Principal Risks and Uncertainties
In the Annual Report for the year ended 31 March 2023 Carclo provided a detailed review of the principal risks faced by the Group and how these risks were being managed. The Group continues to face and proactively manage the risks and uncertainties in our business and, whilst the Board considers that these principal risks and uncertainties have not materially changed since the publication of the 2023 Annual Report, it is worth noting that the following risks remain particularly relevant for the remainder of the financial year:

- Supply chain and political disruption is expected to continue with inflation creating further pressure on input costs.
- There has been a noticeable destocking of products by some of our customers over the last six to nine months, which has led to a reduction in orders, particularly in the USA and there is a risk that this may continue in H2 2024.
- Global interest rates remain high which continues to put pressure on interest cover covenants.

Mitigating actions being taken include:

- Strengthening procurement management to improve supply chain logistics and lower input costs;
- Pursuing operating efficiencies to lower the cost of production;
- Increasing asset utilisation to create additional capacity for customers who demand higher volumes of existing products; and
- Marketing to win new customers;

as we continue to focus on debt reduction to mitigate the interest burden that faces the Group.

Going Concern
These interim financial statements have been prepared on a going concern basis as detailed in Note 1. The Board's forecasts show that the Group can operate within its available facilities and meet its covenants as they fall due, however the interest cover covenant headroom is limited at 31 March 2024, principally due to the continuation of high interest rates.

The Board continues to take actions including operational restructuring, cost savings, working capital management, debt reduction and interest reduction initiatives and it considers that whilst the potential benefits from these give comfort that the downside risks can be mitigated, there remains a material uncertainty that the interest cover covenant may be breached under certain severe downside risk scenarios.

Responsibility Statement
We confirm to the best of our knowledge:

(a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board,

Frank Doorenbosch	**Eric Hutchinson**
Chief Executive Officer	Chief Financial Officer

29 November 2023

Reconciliation of non-GAAP financial measures - H1 2024

£000	Underlying	Exceptional items	Statutory
CTP operating profit	3,687	(841)	2,846
Aerospace operating profit	1,002	(50)	952
Central costs	(2,457)	(1,204)	(3,661)
Operating profit / (loss)	2,232	(2,095)	137
Net finance expense	(2,635)	-	(2,635)
Loss before tax	(403)	(2,095)	(2,498)
Income tax credit	71	259	330
Loss for the period	(332)	(1,836)	(2,168)
Basic loss per share (pence)	(0.5)p	(2.5)p	(3.0)p

Glossary of Terms

CONSTANT CURRENCY	Prior period translated at the current period's average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader's understanding
CASH CONVERSION RATE	Cash generated from operations add back pension contributions net of pension administration costs and cash from exceptional items, less total capex divided by underlying EBIT as defined below
GROUP CAPITAL EXPENDITURE	Non-current asset additions
NET BANK INTEREST	Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements
NET CASH FLOW	Cash generated from operations add back pension contributions net of pension administration costs and cash from exceptional items, less total capex and net interest paid
NET DEBT	Cash and cash deposits less loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand
NET DEBT EXCLUDING LEASE LIABILITIES	Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand
EBIT	Profit before interest and tax
EBITDA	Profit before interest, tax, depreciation, and amortisation
UNDERLYING	Adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EBIT	Profit before interest and tax adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EBITDA	Profit before interest, tax, depreciation, and amortisation adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional and separately disclosed items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional and separately disclosed items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional and separately disclosed items
OPERATIONAL GEARING	Ratio of fixed overheads to sales
RETURN ON SALES	Underlying operating profit, as defined above, from continuing operations, as a percentage of revenue from continuing operations
RETURN ON CAPITAL EMPLOYED ("ROCE")	Return on capital employed measures the underlying operating profit for the Group, including discontinued operations, as a percentage of assets employed, defined as working capital plus tangible assets

Condensed consolidated income statement

	Notes	**Six months ended 30 September 2023 unaudited £000**		Six months ended 30 September 2022 unaudited £000		Year ended 31 March 2023 audited £000
Continuing operations:						
Revenue	4	**66,921**		**72,151**		143,445
Underlying operating profit		**2,232**		3,593		5,939
Exceptional items	5	**(2,095)**		(332)		(4,710)
Operating profit	4	**137**		3,261		1,229
Finance revenue	6	**283**		60		218
Finance expense	6	**(2,918)**		(1,670)		(3,967)
(Loss) / profit before tax		**(2,498)**		1,651		(2,520)
Income tax credit / (expense)	7	**330**		(983)		(1,437)
(Loss) / profit for the period		**(2,168)**		668		(3,957)
Attributable to:						
Equity holders of the parent company		**(2,168)**		668		(3,957)
Non-controlling interests		**-**		-		-
		(2,168)		668		(3,957)
(Loss) / earnings per ordinary share	8					
Basic		**(3.0)**	**p**	0.9	p	(5.4) p
Diluted		**(3.0)**	**p**	0.9	p	(5.4) p

Condensed consolidated statement of comprehensive income

	Notes	**Six months ended 30 September 2023 unaudited**	Six months ended 30 September 2022 unaudited	Year ended 31 March 2023 audited
		£000	£000	£000
(Loss) / profit for the period		**(2,168)**	668	(3,957)
Other comprehensive (expense) / income:				
Items that will not be reclassified to the income statement				
Remeasurement losses on defined benefit scheme	12	**(1,719)**	(201)	(10,577)
Total items that will not be reclassified to the income statement		**(1,719)**	(201)	(10,577)
Items that will or may in the future be classified to the income statement				
Foreign exchange translation differences		**(696)**	6,911	1,129
Net investment hedge		**(94)**	(1,971)	818
Deferred tax arising		**1**	(246)	(190)
Total items that are or may in future be classified to the income statement		**(789)**	4,694	1,757
Other comprehensive (expense) / income, net of income tax		**(2,508)**	4,493	(8,820)
Total comprehensive (expense) / income for the period		**(4,676)**	5,161	(12,777)
Attributable to:				
Equity holders of the parent		**(4,676)**	5,161	(12,777)
Non-controlling interests		**-**	-	-
Total (expense) / comprehensive income for the period		**(4,676)**	5,161	(12,777)

Condensed consolidated statement of financial position

	Notes	**30 September 2023 unaudited £000**	30 September 2022 unaudited £000	31 March 2023 audited £000
Non-current assets				
Intangible assets	10	**23,136**	24,580	23,463
Property, plant, and equipment	11	**43,776**	49,453	45,321
Deferred tax assets		**1,732**	1,469	1,185
Trade and other receivables		**-**	66	-
Total non-current assets		**68,644**	75,568	69,969
Current assets				
Inventories		**12,510**	18,073	15,203
Contract assets		**3,503**	10,634	5,763
Trade and other receivables		**19,578**	22,648	21,383
Cash and cash deposits	14	**7,185**	10,724	10,354
Total current assets		**42,776**	62,079	52,703
Total assets		**111,420**	137,647	122,672
Non-current liabilities				
Loans and borrowings	15	**30,583**	43,583	39,668
Deferred tax liabilities		**4,693**	5,187	4,917
Contract liabilities		**1,458**	589	-
Trade and other payables		**124**	76	-
Retirement benefit obligations	12	**36,683**	24,928	34,493
Total non-current liabilities		**73,541**	74,363	79,078
Current liabilities				
Loans and borrowings	15	**6,102**	3,971	5,046
Trade payables		**11,401**	12,938	13,085
Other payables		**8,878**	7,946	8,323
Current tax liabilities		**93**	504	372
Contract liabilities		**4,364**	8,175	4,689
Provisions		**96**	95	473
Total current liabilities		**30,934**	33,629	31,988
Total liabilities		**104,475**	107,992	111,066
Net assets		**6,945**	29,655	11,606
Equity				
Ordinary share capital issued	17	**3,671**	3,671	3,671
Share premium		**7,359**	7,359	7,359
Translation reserve		**8,454**	12,180	9,243
Retained earnings		**(12,513)**	6,471	(8,641)
Total equity attributable to equity holders of the Company		**6,971**	29,681	11,632
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**6,945**	29,655	11,606

Condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital £000	**Share premium £000**	**Translation reserve £000**	**Retained earnings £000**	**Total £000**	**Non-controlling interests £000**	**Total equity £000**
Current half year period - unaudited							
Balance at 1 April 2023	**3,671**	**7,359**	**9,243**	**(8,641)**	**11,632**	**(26)**	**11,606**
Loss for the period	**-**	**-**	**-**	**(2,168)**	**(2,168)**	**-**	**(2,168)**
Other comprehensive income:							
Foreign exchange translation differences	**-**	**-**	**(696)**	**-**	**(696)**	**-**	**(696)**
Net investment hedge	**-**	**-**	**(94)**	**-**	**(94)**	**-**	**(94)**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**(1,719)**	**(1,719)**	**-**	**(1,719)**
Taxation on items above	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Total comprehensive expense for the period	**-**	**-**	**(789)**	**(3,887)**	**(4,676)**	**-**	**(4,676)**
Transactions with owners recorded directly in equity:							
Share based payments	**-**	**-**	**-**	**15**	**15**	**-**	**15**
Balance at 30 September 2023	**3,671**	**7,359**	**8,454**	**(12,513)**	**6,971**	**(26)**	**6,945**
Prior half year period unaudited							
Balance at 1 April 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416
Profit for the period	-	-	-	668	668	-	668
Other comprehensive income:							
Foreign exchange translation differences	-	-	6,911	-	6,911	-	6,911
Net investment hedge	**-**	**-**	(1,971)	**-**	(1,971)	**-**	(1,971)
Remeasurement losses on defined benefit scheme	-	-	-	(201)	(201)	-	(201)
Taxation on items above	-	-	(246)	-	(246)	-	(246)
Total comprehensive income for the period	-	-	4,694	467	5,161	-	5,161
Transactions with owners recorded directly in equity:							
Share based payments	-	-	-	78	78	-	78
Balance at 30 September 2022	3,671	7,359	12,180	6,471	29,681	(26)	29,655

Condensed consolidated statement of changes in equity continued

	Attributable to equity holders of the Company						
	Share capital £000	**Share premium £000**	**Translation reserve £000**	**Retained earnings £000**	**Total £000**	**Non-controlling interests £000**	**Total equity £000**
Condensed consolidated statement of changes in equity continued							
Prior year - audited							
Balance at 1 April 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416
Loss for the year	-	-	-	(3,957)	(3,957)	-	(3,957)
Other comprehensive income-							
Foreign exchange translation differences	-	-	1,129	-	1,129	-	1,129
Net investment hedge	-	-	818	-	818	-	818
Remeasurement losses on defined benefit scheme	-	-	-	(10,577)	(10,577)	-	(10,577)
Taxation on items above	-	-	(190)	-	(190)	-	(190)
Total comprehensive income / (expense) for the period	-	-	1,757	(14,534)	(12,777)	-	(12,777)
Transactions with owners recorded directly in equity:							
Share based payments	-	-	-	(33)	(33)	-	(33)
Balance at 31 March 2023	3,671	7,359	9,243	(8,641)	11,632	(26)	11,606

Condensed consolidated statement of cash flows

	Notes	**30 September 2023 Unaudited £000**	30 September 2022 Unaudited £000	31 March 2023 Audited £000
Cash generated from operations	13	**11,439**	512	7,778
Interest paid		**(2,204)**	(1,198)	(2,955)
Tax paid		**(719)**	(652)	(1,051)
Net cash from / (used in) operating activities		**8,516**	(1,338)	3,772
Cash flows (used in) / from investing activities				
Proceeds from sale of property, plant and equipment		**225**	1,129	1,390
Interest received		**283**	60	218
Purchase of property, plant and equipment		**(2,142)**	(976)	(2,313)
Purchase of intangible assets		**(77)**	(59)	(104)
Net cash (used in) / from investing activities		**(1,711)**	154	(809)
Cash flows from / (used in) financing activities				
Drawings on new facilities		**74**	198	359
Refinancing costs		**(50)**	-	(250)
Proceeds from sale and leaseback of property, plant and equipment		**-**	1,222	1,222
Repayment of borrowings excluding lease liabilities		**(7,868)**	(1,100)	(1,800)
Repayment of other loan facilities		**(103)**	(45)	(102)
Repayment of lease liabilities		**(2,060)**	(1,838)	(4,104)
Net cash used in financing activities		**(10,007)**	(1,563)	(4,675)
Net decrease in cash and cash equivalents		**(3,202)**	(2,747)	(1,712)
Cash and cash equivalents at beginning of period		**10,354**	12,347	12,347
Effect of exchange rate fluctuations on cash held		**33**	1,124	(281)
Cash and cash equivalents at end of period	14	**7,185**	10,724	10,354

Notes to the accounts

1. Basis of preparation

The condensed consolidated half year report for Carclo plc ("Carclo" or "the Group") for the six months ended 30 September 2023 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2023 and in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority and the requirements of UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

The financial information is unaudited.

The half year report does not constitute financial statements and does not include all 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 2023 which is available either on request from the Company's registered office, Unit 5, Silkwood Court, Ossett, WF5 9TP, or can be downloaded from the corporate website www.carclo-plc.com

The comparative figures for the financial year ended 31 March 2023 are not the Company's complete 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 29 November 2023. Copies are available from the corporate website.

The Group financial statements for the year ended 31 March 2023 have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards.

Going concern

These interim financial statements have been prepared on the going concern basis.

The Directors have reviewed cash flow and covenant forecasts to cover the twelve-month period from the date of the approval of these condensed interim financial statements considering the Group's available debt facilities and the terms of the arrangements with the Group's bank and the Group pension scheme.

The debt facilities currently available to the Group comprise a term loan of £25.1 million, of which £0.7 million will be amortised by 31 March 2024, a further £2.2 million by 31 March 2025 and a final payment of £1.3 million in May 2025, before the balance becomes payable by 30 June 2025. At 30 September 2023, the term loans are denominated as follows: sterling 9.9 million, US Dollar 13.3 million and Euro 4.9 million. The facility also includes a £3.5 million revolving credit facility, denominated in sterling, maturing on 30 June 2025.

Net debt at 30 September 2023 was £29.5 million, a significant decrease from £34.4 million at 31 March 2023 (30 September 2022: £36.8 million), £3.7 million of the decrease is unscheduled repayments made since March 2023 to reduce the cost of debt.

A schedule of contributions is in place with the pension trustees being £3.5 million to be paid annually until 31 October 2039. Additional contributions also agreed are 25% of any surplus of 2023 / 24 underlying EBITDA over £18 million payable from 30 June 2024 to May 2025, extending to 26% of any 2024/25 surplus payable from 30 June 2025 to 31 May 2026.

The Group is subject to bank facility covenant tests, as described in note 1 of the Annual Report and Accounts for the year to 31 March 2023. On 22 June 2023, the bank agreed to the Group's request to amend the interest cover covenant to June 2025 and the net leverage covenant to December 2023 with the amendment deed signed 17 July 2023. The pension scheme had the benefit of a fifth covenant to be tested annually up to and including 2023. This test was completed earlier this year and the requirements have now been met.

The Board's forecasts show that the Group can operate within its available facilities and meet its covenants as they fall due, however the interest cover covenant headroom is limited at 31 March 2024, principally due to the continuation of high interest rates.

The Directors have reviewed sensitivity testing modelling a range of severe downside scenarios. These sensitivities attempt to incorporate identified risks set out in the Principal Risks and Uncertainties section of this report and in the Annual Report and Accounts for the year to 31 March 2023.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 3% matched by a corresponding fall in cost of sales of the same amount, general underperformance against forecast of certain sites and interest rate risk.

Because the interest cover covenant headroom is limited, principally due to the continuation of high interest rates, manifestation of the above risks, individually or in combination, could lead to a breach of the Group's banking covenants.

The Board continues to take actions including operational restructuring, cost savings, working capital management, debt reduction and interest reduction initiatives and it considers that whilst the potential benefits from these give comfort that the downside risks can be mitigated, there remains a material uncertainty that the interest cover covenant may be breached under certain severe downside risk scenarios.

2. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at, and for the year ended 31 March 2023. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on 1 April 2023 but they are not expected to have a material effect on the Group's financial statements.

3. Accounting estimates and judgements

The preparation of the interim 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 2023.

4. Segment reporting

The Group is organised into two, separately managed, business segments – CTP and Aerospace. 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 CTP segment supplies value-adding engineered solutions from mould design, automation, and production to assembly and printing for the life science, optical and precision component industries. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

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

The Central costs relate to the running of the Group, plc and non-trading companies.

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

	CTP £000	Aerospace £000	Central £000	Group Total £000
The segment results for the six months ended 30 September 2023 were as follows:				
Consolidated income statement				
Continuing operations:				
External revenue	**63,072**	**3,849**	**-**	**66,921**
Expenses	**(59,385)**	**(2,847)**	**(2,457)**	**(64,689)**
Underlying operating profit / (loss)	**3,687**	**1,002**	**(2,457)**	**2,232**
Exceptional operating items	**(841)**	**(50)**	**(1,204)**	**(2,095)**
Operating profit / (loss)	**2,846**	**952**	**(3,661)**	**137**
Net finance expense				**(2,635)**
Income tax credit				**330**
Loss for the period				**(2,168)**
Consolidated statement of financial position				
Segment assets	**102,539**	**6,420**	**2,461**	**111,420**
Segment liabilities	**(38,639)**	**(1,523)**	**(64,313)**	**(104,475)**
Net assets	**63,900**	**4,897**	**(61,852)**	**6,945**
Other segmental information				
Capital expenditure on property, plant and equipment	**3,155**	**577**	**154**	**3,886**
Capital expenditure on computer software	**-**	**-**	**77**	**77**
Depreciation	**3,719**	**116**	**41**	**3,876**
Impairment of property, plant and equipment	**1,006**	**-**	**-**	**1,006**
Amortisation of computer software	**15**	**-**	**35**	**50**
Amortisation of other intangible assets	**35**	**-**	**-**	**35**
Disaggregation of revenue				
Major products/service lines				
Manufacturing	**51,750**	**3,849**	**-**	**55,599**
Tooling – Design & Engineering	**11,322**	**-**	**-**	**11,322**
	63,072	**3,849**	**-**	**66,921**
Timing of revenue recognition				
Products transferred at a point in time	**51,750**	**3,849**	**-**	**55,599**
Products and services transferred over time	**11,322**	**-**	**-**	**11,322**
	63,072	**3,849**	**-**	**66,921**

4. Segment reporting continued

	CTP £000	Aerospace £000	Central £000	Group Total £000
The segment results for the six months ended 30 September 2022 were as follows:				
Consolidated income statement				
Continuing operations:				
External revenue	69,133	3,018	-	72,151
Expenses	(65,124)	(2,345)	(1,089)	(68,558)
Underlying operating profit / (loss)	4,009	673	(1,089)	3,593
Exceptional operating items	457	-	(789)	(332)
Operating profit / (loss)	4,466	673	(1,878)	3,261
Net finance expense				(1,610)
Income tax expense				(983)
Profit for the period				668
Consolidated statement of financial position				
Segment assets	128,967	5,355	3,325	137,647
Segment Liabilities	(44,637)	(1,257)	(62,098)	(107,992)
Net assets / (liabilities)	84,330	4,098	(58,773)	29,655
Other segmental information				
Capital expenditure on property, plant and equipment	2,628	231	-	2,859
Capital expenditure on computer software	27	-	32	59
Depreciation	3,664	117	33	3,814
Amortisation of computer software	20	-	50	70
Amortisation of other intangible assets	35	-	-	35
Disaggregation of revenue				
Major products/service lines				
Manufacturing	58,982	3,018	-	62,000
Tooling – Design & Engineering	10,151	-	-	10,151
	69,133	3,018	-	72,151
Timing of revenue recognition				
Products transferred at a point in time	58,982	3,018	-	62,000
Products and services transferred over time	10,151	-	-	10,151
	69,133	3,018	-	72,151

4. Segment reporting continued

	CTP £000	Aerospace £000	Central £000	Group total £000
The segment results for the year ended 31 March 2023 were as follows:				
Consolidated income statement **Continuing operations:**				
External revenue	136,814	6,631	-	143,445
Expenses	(129,493)	(5,111)	(2,902)	(137,506)
Underlying operating profit / (loss)	7,321	1,520	(2,902)	5,939
Exceptional operating items	(2,752)	-	(1,958)	(4,710)
Operating profit / (loss)	4,569	1,520	(4,860)	1,229
Net finance expense				(3,749)
Income tax expense				(1,437)
Loss for the period				(3,957)
Consolidated statement of financial position				
Segment assets	114,231	5,886	2,555	122,672
Segment liabilities	(40,000)	(1,198)	(69,868)	(111,066)
Net assets / (liabilities)	74,231	4,688	(67,313)	11,606
Other segmental information				
Capital expenditure on property, plant and equipment	5,474	287	49	5,810
Capital expenditure on computer software	36	-	-	36
Capital expenditure on other intangibles	68	-	-	68
Depreciation	7,516	223	76	7,815
Impairment of property	783	-	-	783
Amortisation of computer software	43	-	101	144
Amortisation of other intangibles	67	-	-	67
Impairment of intangible assets	208	-	-	208
Disaggregation of revenue				
Major products/service lines				
Manufacturing	116,737	6,631	-	123,368
Tooling – Design & Engineering	20,077	-	-	20,077
	136,814	6,631	-	143,445
Timing of revenue recognition				
Products transferred at a point in time	117,038	6,631	-	123,669
Products and services transferred over time	19,776	-	-	19,776
	136,814	6,631	-	143,445

5. Exceptional items

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Continuing operations			
Rationalisation costs	**(971)**	(1,101)	(3,404)
Past service cost in respect to retirement benefits	**(1,020)**	-	-
Net costs arising from cancellation of future supply agreement	**(396)**	-	(877)
Settlement / (costs) in respect to legacy claims	**292**	-	(302)
Credit arising on the disposal of surplus properties	**-**	769	769
Doubtful debt and related inventory provision	**-**	-	(896)
Exceptional items recognised in operating profit	**(2,095)**	(332)	(4,710)

The cash element of exceptional items is a net £0.4 million outflow and a future net cash inflow of £0.4 million.

Rationalisation costs during the six months ended 30 September 2023 relate to the restructuring and refinancing of the Group. These include £0.4 million of costs following the announcement of the closure of the Group's US Derry NH facility being primarily asset provisions and impairments (31 March 2023: £1.0 million), £0.3 million central employee related costs following reorganisation, £0.2 million costs to ensure compliance with the Group's principal bank financing arrangement and £0.1 million other restructuring related costs.

During the period to 30 September 2023 the Trustees of the Carclo Group Pension Scheme identified that a group of members required an adjustment to their benefits in respect of the requirement to provide equal benefits to males and females following the Barber judgment in 1990. In summary, the adjustment consisted of decreasing the normal retirement age from 65 to 60 for some members' benefits for some elements of service after 17 May 1990. This has resulted in additional liabilities in the Scheme which have been accounted for as a £1.0 million past service cost in the income statement (approximately 0.8% of liabilities).

On 30 May 2023, the Group signed a full and final settlement agreement with a leading global OEM customer who had decided not to proceed with the production phase of their project. An impairment review was undertaken in the year to 31 March 2023, with final settlement providing evidence that impairment existed and a resultant impairment cost of £0.9 million was recognised as an exceptional item at that date. During the current period, a further £0.9 million impairment has been recognised in order that the fixed assets not intended for continued use within the business be written down to management's best estimate of recoverable amount at 30 September 2023, see note 11 for further details. Also, during the period, ancillary assets relating to this customer were sold at a loss of £0.2 million. Although the details of the agreement remain confidential, as reported in the annual report and accounts for the year to 31 March 2023, offsetting these costs is a £0.6 million gain received on final settlement and recognised in the current period.

During the period to 30 September 2023 the Group received notice from its third-party advisor there would be no obligation on Carclo plc to make payment to settle two of the health-related claims that had been provided for at 31 March 2023. As such, the provision held at that date, £0.3 million, has been released back to exceptional items.

6. Net finance expense

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Continuing operations:			
The expense recognised in the condensed consolidated income statement comprises:			
Interest receivable on cash and cash deposits	**283**	60	218
Interest payable on bank loans and overdrafts	**(1,559)**	(1,030)	(2,569)
Lease interest	**(422)**	(303)	(674)
Other interest	**(118)**	-	(59)
Net interest on the net defined benefit liability	**(819)**	(337)	(665)
Net finance expense	**(2,635)**	**(1,610)**	**(3,749)**

7. Income tax (credit) / expense

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Continuing operations:			
The credit / (expense) recognised in the condensed consolidated income statement comprises:			
Current tax expense on ordinary activities	**(701)**	(795)	(1,370)
Deferred tax credit / (expense) on ordinary activities	**772**	(74)	(558)
Current tax credit / (expense) on exceptional items	**259**	(114)	491
Total income tax credit / (expense) recognised in the condensed consolidated income statement	**330**	(983)	(1,437)

The half year tax credit represents 13.2% of statutory loss before tax (6 months to 30 September 2022: tax expense 59.5%) based on the estimated average effective tax rate on ordinary activities for the full year.

The half year underlying effective tax rate amounts to 17.6% credit of underlying loss before tax and exceptional items (6 months to 30 September 2022: 43.8% expense).

The Group's underlying effective tax rate is lower than the underlying UK tax rate of 25.0% (6 months to 30 September 2022: 19.0%) because losses are not recognised in the UK for deferred tax purposes. This is partially offset by the payment of withholding tax on dividends and royalties from certain tax jurisdictions.

Deferred tax assets and liabilities at 30 September 2023 have been calculated on the rates substantively enacted at the balance sheet date. A change to the main UK corporation tax rate, set out in the Finance Bill 2021 was substantively enacted on 24 May 2021 and the main rate of corporation tax became 25% from 1 April 2023. Overseas taxes are calculated at the rates prevailing in the respective jurisdictions.

8. (Loss) / earnings per share

Continuing operations:
The calculation of basic earnings per share is based on the (loss) / 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 the (loss) / 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 result and average number of shares used in calculating the basic and diluted earnings per share:

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
(Loss) / profit after tax	**(2,168)**	668	(3,957)
(Loss) / profit attributable to non-controlling interests	-	-	-
(Loss) / profit after tax, attributable to equity holders of the parent	**(2,168)**	668	(3,957)

	Six months ended 30 September 2023 Shares	Six months ended 30 September 2022 Shares	Year ended 31 March 2023 Shares
Weighted average number of ordinary shares in the period	**73,419,193**	73,419,193	73,419,193
Effect of dilutive share options in issue	**15,974**	376,151	15,974
Weighted average number of ordinary shares (diluted) in the period	**73,435,167**	73,795,344	73,435,167

8. Earnings per share continued

76,598 of share options granted on 21 September 2023 have been excluded from the calculation of weighted average number of dilutive earnings per share in the current period as they are antidilutive. These options could potentially dilute basic earnings per share in the future.

In addition to the above, the Company also calculates a (loss) / earnings per share based on underlying (loss) / profit as the Board believe this provides a more useful comparison of business trends and performance. Underlying (loss) / profit is defined as (loss) / profit before impairments, rationalisation costs, one-off retirement benefit effects, exceptional bad debts, business closure costs, litigation costs, other one-off costs and the impact of property and business disposals, net of attributable taxes.

The following table reconciles the Group's (loss) / profit to underlying (loss) / profit used in the numerator in calculating underlying (loss) / earnings per share:

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(2,168)**	668	(3,957)
Exceptional - rationalisation costs, net of tax	**890**	1,023	3,070
Exceptional - past service cost in respect to retirement benefits	**1,020**	-	-
Exceptional – net costs arising from cancellation of future supply agreement, net of tax	**218**	-	752
Exceptional – (Settlement) / costs in respect to legacy claims, net of tax	**(292)**	-	302
Exceptional credit arising on the disposal of surplus properties, net of tax	**-**	(577)	(578)
Exceptional - doubtful debt and related inventory provision, net of tax	-	-	(673)
(Loss) / profit after tax but before exceptional items, attributable to equity holders of the parent	**(332)**	1,114	262
Underlying operating profit	**2,232**	3,593	5,939
Finance revenue	**283**	60	218
Finance expense	**(2,918)**	(1,670)	(3,967)
Income tax credit / (expense)	**71**	(869)	(1,928)
Underlying (loss) / profit attributable to equity holders of the parent	**(332)**	1,114	262

8. Earnings per share continued

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

	Six months ended 30 September 2023 Pence	Six months ended 30 September 2022 Pence	Year ended 31 March 2023 Pence
Basic (loss) / earnings per share	**(3.0)**	0.9	(5.4)
Diluted (loss) / earnings per share	**(3.0)**	0.9	(5.4)
Underlying (loss) / earnings per share - basic	**(0.5)**	1.5	0.4
Underlying (loss) / earnings per share - diluted	**(0.5)**	1.5	0.4

9. Dividends paid and proposed

No dividends were paid in the period or the comparative periods.
Under the terms of the amended and restated bank facilities agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending June 2025.

10. Intangible assets

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

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net book value at the start of the period	**23,463**	22,714	22,714
Additions	**77**	59	104
Disposals	**-**	-	(14)
Amortisation	**(85)**	(105)	(211)
Impairment	**-**	-	(208)
Effect of movements in foreign exchange	**(319)**	1,912	1,078
Net book value at the end of the period	**23,136**	24,580	23,463

Included within intangible assets is goodwill of £22.7 million (31 March 2023 - £23.0 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 2023, the carrying value of goodwill was supported by value-in-use calculations. There has been no indication of subsequent impairment in the current financial period.

In the year ended 31 March 2023, a customer-related intangible asset recognised on acquisition of the US Derry, NH facility was fully impaired as the Group now has minimal trading with the customers to which it related, the cost was recognised as an exceptional item in that year of £0.2 million.

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 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net book value at the start of the period	**45,321**	46,964	46,964
Additions	**3,886**	2,859	5,810
Depreciation	**(3,876)**	(3,814)	(7,815)
Disposals	**(384)**	(207)	(484)
Impairment	**(1,006)**	-	(783)
Reclassification of assets held for sale	**-**	(65)	(64)
Effect of movements in foreign exchange	**(165)**	3,716	1,693
Net book value at the end of the period	**43,776**	49,453	45,321

Of the net book value at 30 September 2023, £23.3 million is land and buildings and £20.5 million is plant and equipment (31 March 2023: £25.5 million and £19.9 million respectively). Additions to 30 September 2023 were £0.7 million to land and buildings and £3.2 million to plant and equipment, disposals were land and buildings £0.1 million and plant and equipment £0.3 million.

Receiving notice from a leading global OEM CTP customer in December 2022 that they would not be proceeding into the production phase of a project was deemed by management to be an event that might be an indicator of impairment at 31 March 2023. An impairment review was undertaken, with final settlement providing evidence that impairment existed. The Directors undertook an exercise to determine the recoverable amount of assets that were earmarked for use on this project where recoverable amount is the higher of value in use and fair value less costs of disposal. There are a number of machines which management decided not to repurpose within the business and as a result, an impairment charge of £0.485 million was recognised in the year ended 31 March 2023 being the difference between net book value at year end and fair value less costs to dispose. These assets remain on balance sheet at 30 September 2023, with no intended use, and as such management have reviewed the recoverable amount of the assets at this date. Fair value less costs to dispose uses an estimate of the value which would be expected to be received from a third party in a sale of the asset, net of estimated sale costs. In the period to 30 September 2023, a further impairment of £0.861 million has been recognised as an exceptional cost to write the current carrying value down to FVLCD, see right-of-use assets below.

The announced closure of the US Derry, NH facility is deemed by management to be an event that might be an indicator of impairment. Management have undertaken a review of the fixed assets that were not impaired at 31 March 2023 and determined that they should be fully impaired as fair value less costs to dispose is estimated to be £nil, resulting in an impairment charge of £0.145 million recognised as an exceptional cost.

FVLCD is a level 3 measurement which is based on inputs which are normally unobservable to market participants, including offers received and managements experience of selling similar assets.

11. Property, plant and equipment continued

Right-of-use assets
Right-of-use assets related to lease agreements are presented within property, plant and equipment above. The movements are summarised as follows:

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net book value at the start of the period	**12,451**	11,713	11,713
Additions	**2,063**	2,002	3,469
Depreciation	**(1,701)**	(1,321)	(2,817)
Asset transferred to right-of-use assets from owned property, plant and equipment	**-**	372	372
Derecognition of right-of-use assets	**(93)**	(207)	(233)
Impairment	**(861)**	-	(485)
Effect of movements in foreign exchange	**30**	1,020	432
Net book value at the end of the period	**11,889**	13,579	12,451

Of the net book value at 30 September 2023, £5.5 million is land and buildings and £6.4 million is plant and equipment (31 March 2023: £6.2 million and £6.2 million respectively). Additions to 30 September 2023 were £0.7 million to land and buildings and £1.3 million to plant and equipment with disposals of £0.1 million to land and buildings.

The impairment presented within right-of-use assets in the current period is in respect to the OEM global customer assets referred to above.

12. Retirement benefit obligations

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay. Outside of the UK, retirement benefits are determined according to local practice and funded accordingly.

The amounts recognised in the condensed consolidated statement of financial position in respect of the defined benefit scheme were as follows:

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Present value of funded obligations	**(125,038)**	(128,079)	(134,091)
Fair value of scheme assets	**88,355**	103,151	99,598
Recognised liability for defined benefit obligations	**(36,683)**	(24,928)	(34,493)

12. Retirement benefit obligations continued

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Movement in the net liability for defined benefit obligations recognised in the condensed consolidated statement of financial position:			
Net liability for defined benefit obligations at the start of the period	**(34,493)**	(25,979)	(25,979)
Contributions paid	**1,750**	2,392	4,142
Net expense recognised in the condensed consolidated income statement	**(2,221)**	(1,140)	(2,079)
Remeasurement losses recognised in other comprehensive income	**(1,719)**	(201)	(10,577)
Net liability for defined benefit obligations at the end of the period	**(36,683)**	(24,928)	(34,493)

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Movements in the fair value of Scheme assets:			
Fair value of Scheme assets at the start of the period	**99,598**	155,780	155,780
Interest income	**2,362**	2,057	4,085
Loss on Scheme assets excluding interest income	**(9,576)**	(49,846)	(51,251)
Contributions by employer	**1,750**	2,392	4,142
Benefit payments	**(5,397)**	(6,429)	(11,744)
Expenses paid	**(382)**	(803)	(1,414)
Fair value of Scheme assets at the end of the period	**88,355**	103,151	99,598
Actual loss on Scheme assets	**(7,214)**	(47,789)	(47,166)

12. Retirement benefit obligations continued

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Movements in the present value of defined benefit obligations:			
Defined benefit obligation at the start of the period	**134,091**	181,759	181,759
Interest expense	**3,181**	2,394	4,750
Actuarial loss due to scheme experience	**-**	-	4,897
Actuarial gains due to changes in demographic assumptions	**-**	-	(7,539)
Actuarial gains due to changes in financial assumptions	**(7,857)**	(49,645)	(38,032)
Benefits paid	**(5,397)**	(6,429)	(11,744)
Past service cost	**1,020**	-	-
Defined benefit obligation at the end of the period	**125,038**	128,079	134,091

	Six months ended 30 September 2023	Six months ended 30 September 2022	Year ended 31 March 2023
The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:			
Discount rate at period end	**5.55%**	5.30%	4.90%
Inflation (RPI) (non-pensioner)	**3.30%**	3.55%	3.25%
Inflation (CPI) (non-pensioner)	**2.80%**	3.05%	2.75%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.30%**	3.55%	3.25%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.80%**	3.05%	2.75%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.10%**	3.45%	2.90%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.20%**	2.55%	2.00%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.75%**	3.75%	3.80%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.30%**	4.25%	4.35%
Life expectancy	**years**	years	years
Male (current age 45)	**18.7**	19.7	18.7
Male (current age 65)	**17.8**	18.8	17.8
Female (current age 45)	**21.6**	22.0	21.6
Female (current age 65)	**20.4**	20.9	20.4

13. Cash generated from operations

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Continuing operations:			
(Loss / profit for the period	**(2,168)**	668	(3,957)
Adjustments for -			
Pension scheme contributions net of administration costs settled by the Company	**(1,443)**	(1,869)	(3,287)
Pension scheme administration costs settled by the Scheme	**75**	280	559
Depreciation charge	**3,876**	3,814	7,815
Amortisation charge	**85**	105	211
Exceptional rationalisation costs	**(57)**	-	1,304
Exceptional past service cost in respect to retirement benefits	**1,020**	-	-
Exceptional costs arising from cancellation of future supply agreement	**1,027**	-	751
Exceptional (settlement) / costs in respect to legacy claims	**(292)**	-	302
Exceptional profit on disposal of surplus property	**-**	(769)	(769)
Exceptional doubtful debt and related inventory provision	**-**	-	896
Exceptional provision for staff costs	**-**	330	-
Loss on disposal of intangible non-current assets	**-**	-	14
Profit on disposal of property, plant and equipment	**(14)**	-	-
Share based payment charge / (credit)	**15**	78	(33)
Financial income	**(283)**	(60)	(218)
Financial expense	**2,918**	1,670	3,967
Taxation (credit) / expense	**(330)**	983	1,437
Operating cash flow before changes in working capital	**4,429**	5,230	8,992
Changes in working capital			
Decrease in inventories	**2,429**	410	1,539
Decrease / (increase) in contract assets	**2,306**	(2,112)	2,388
Decrease / (increase) in trade and other receivables	**2,111**	(1,601)	(1,656)
Decrease in trade and other payables	**(1,006)**	(2,669)	(943)
Increase / (decrease) in contract liabilities	**1,170**	1,254	(2,542)
Cash generated from operations	**11,439**	512	7,778

14. Cash and cash deposits

	As at 30 September 2023 £000	As at 30 September 2022 £000	As at 31 March 2023 £000
Cash and cash deposits	**7,185**	10,724	10,354

The Group has a net UK multi-currency overdraft facility with a £nil net limit and a £12.5 million gross limit. At 30 September 2023, Carclo plc's overdraft of £8.8 million (31 March 2023: £6.5 million) has been recognised within cash and cash deposits when consolidated due to a right of off-set under a UK net overdraft arrangement.

15. Net debt

	As at 30 September 2023 £000	As at 30 September 2022 £000	As at 31 March 2023 £000
Net debt comprises -			
Cash and cash deposits	**7,185**	10,724	10,354
Term loan	**(24,695)**	(30,722)	(28,950)
Revolving credit facility	**-**	(3,500)	(3,500)
Lease liabilities	**(11,662)**	(13,057)	(11,870)
Other loans	**(328)**	(275)	(394)
Net debt	**(29,500)**	(36,830)	(34,360)

The debt facilities currently available to the Group comprise a term loan of £25.1 million (31 March 2023: £29.3 million), of which £0.7 million will be amortised by 31 March 2024, a further £2.2 million by 31 March 2025 and a final payment of £1.3 million in May 2025 before the balance becomes payable by 30 June 2025.

An arrangement fee of £0.1 million became payable on 17 July 2023 following the deed amendment to reset the interest cover and debt leverage covenants. Half has been paid in the period to 30 September 2023 and the balance will be settled by 31 March 2024.

At 30 September 2023, the term loans are denominated as follows: sterling 9.9 million, US Dollar 13.3 million and Euro 4.9 million. The facility also includes a £3.5 million (31 March 2023: £3.5 million) revolving credit facility, denominated in sterling, maturing on 30 June 2025. £nil balance was drawn on this facility at 30 September 2023 (31 March 2023: £3.5 million).

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Term loan	**Revolving credit facility**	**Lease liabilities**	**Other loans**	**Total**
	£000	£000	£000	£000	£000
Balance at 31 March 2022	30,260	3,500	10,870	122	44,752
Changes from financing cash flows					
Drawings on new facilities	-	-	3,092	198	3,290
Transaction costs associated with the issue of debt	(500)	-	-	-	(500)
Repayment of borrowings	(1,100)	-	(1,838)	(45)	(2,983)
	(1,600)	-	1,254	153	(193)
Effect of changes in foreign exchange rates	1,972	-	933	-	2,905
Liability-related other changes					
Interest expense - presented within exceptional items	69	-	-	-	69
Interest expense - presented within finance expense	21	-	-	-	21
	90	-	-	-	90
Equity-related other changes	-	-	-	-	-
Balance at 30 September 2022	30,722	3,500	13,057	275	47,554

15. Net debt continued

	Term loan	Revolving credit facility	Lease liabilities	Other loans	Total
	£000	£000	£000	£000	£000
Changes from financing cash flows					
Drawings on new facilities	-	-	-	161	161
Repayment of borrowings	(700)	-	(2,490)	(57)	(3,247)
	(700)	-	(2,490)	104	(3,086)
Effect of changes in foreign exchange rates	(1,154)	-	(560)	15	(1,699)
Liability-related other charges					
Drawings on new facilities	-	-	1,863	-	1,863
Interest expense – presented within finance expense	82	-	-	-	82
	82	-	1,863	-	1,945
Equity-related other charges	-	-	-	-	-
Balance at 31 March 2023	**28,950**	**3,500**	**11,870**	**394**	**44,714**
Changes from financing cash flows					
Drawings on new facilities	**-**	**-**	**1,841**	**74**	**1,915**
Transaction costs associated with the issue of debt	**(100)**	**-**	**-**	**-**	**(100)**
Repayment of borrowings	**(4,350)**	**(3,500)**	**(2,060)**	**(121)**	**(10,031)**
	(4,450)	**(3,500)**	**(219)**	**(47)**	**(8,216)**
Effect of changes in foreign exchange rates	**95**	**-**	**11**	**(19)**	**87**
Liability-related other changes					
Interest expense - presented within finance expense	**100**	**-**	**-**	**-**	**100**
	100	**-**	**-**	**-**	**100**
Equity-related other charges		**-**	**-**	**-**	**-**
Balance at 30 September 2023	**24,695**	**-**	**11,662**	**328**	**36,685**

16. Financial instruments

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

Except as described in note 11, there are no material items required to be disclosed under the fair value hierarchy.

17. Ordinary share capital

Ordinary shares of 5 pence each -	**Number of shares**	**£000**
Issued and fully paid at 30 September 2022, 31 March 2023 and 30 September 2023	**73,419,193**	**3,671**

18. Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries, its directors and executive officers and the Group pension scheme. There are no transactions that are required to be disclosed in relation to the Group's 60% dormant subsidiary Platform Diagnostics Limited.

Transactions with key management personnel

The Board was expanded on 6 October 2022 with the appointment of Frank Doorenbosch as Chief Executive Officer. Joe Oatley became Non-executive Chair on 7 November 2022 with the departure of Nick Saunders, Executive Chair. Rachel Amey was appointed as a new Non-executive Director on 1 March 2023. This essential strengthening of the leadership team is necessary to ensure the successful turnround of the Group and achieving the Carclo 2025 plan.

On 21 August 2023 the Board announced, with immediate effect, the resignation of David Bedford as Chief Financial Officer, Company Secretary, and as a Director of the Company. On the same day, Eric Hutchinson, formerly a Non-Executive Director was appointed as Chief Financial Officer and Company Secretary with immediate effect, thus becoming an Executive Director.

Also on 21 August 2023, Rachel Amey, a Non-Executive Director, was appointed as Chair of the Audit & Risk Committee, Interim Chair of the Remuneration Committee and Interim Senior Independent Director with immediate effect.

During the period to 30 September 2023, the Group was billed £0.5 million (30 September 2022: £0.5 million) by Thingtrax, a company that offers intelligent manufacturing infrastructure as a service. Frank Doorenbosch, a Carclo plc Executive Director, is also a Non-Executive Director of Thingtrax and, as such, the company is identified as a related party. In the six months to 30 September 2023, £0.3 million (30 September 2022: £0.3 million) has been recognised as a cost in the condensed consolidated income statement; a balance of £0.3 million remains on balance sheet as prepaid at 30 September 2023 and will be recognised in the second half of the year to 31 March 2024.

Key management personnel are considered to be the Executive Directors of the Group. Full details of directors' remuneration is disclosed in the Group's annual report. In the six months ended 30 September 2023, remuneration to current and former directors amounted to £0.322 million (six months ended 30 September 2022 - £0.434 million).

Group pension scheme

A third-party professional firm is engaged to administer the Group pension scheme (the Carclo Group Pension Scheme). The associated investment costs are borne by the scheme in full. It has been agreed with the trustees of the pension scheme that, under the terms of the recovery plan, the scheme would bear its own administration costs.

Core contributions of £0.292 million per month have been made during the six months to 30 September 2023, incorporating both deficit recovery contributions and scheme expenses including PPF levy.

Carclo incurred administration costs of £0.382 million during the period which has been charged to the consolidated income statement, including £0.011 million presented as exceptional costs, (30 September 2022: £0.803 million, of which £0.124 million was presented as exceptional). Of the administration costs, £0.075 million was paid directly by the scheme (30 September 2022: £0.280 million). The total deficit reduction contributions and administration costs paid during the period was £1.750 million (30 September 2022: £2.392 million).

19. Post balance sheet events

On 25 October 2023, the Group announced the strategic decision to close its US Derry NH facility. The Group has recognised exceptional costs in the six months to 30 September 2023 of £0.4 million, being primarily to recognise Derry assets on the balance sheet at that date, at recoverable amount. The Group estimates that a further £0.4 million of costs will be recognised in respect to the facility closure in the final six months to 31 March 2024.

20. 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.

INDEPENDENT REVIEW REPORT TO CARCLO PLC

Conclusion
We have been engaged by Carclo plc (“the company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 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 consolidated cash flow statement and related notes.

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 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 (Revised), “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued for use in the United Kingdom. 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 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting.

Material uncertainty relating to going concern
We draw attention to note 1 to the interim financial information which indicates that the directors have considered the Group’s ability to operate within its available banking facilities and to meet the associated covenants as they fall due. In the base case forecasts the interest cover covenant headroom is limited at 31 March 2024, principally due to continuation of high interest rates, and therefore there is a risk that the interest cover covenant may be breached under certain severe downside risk scenarios.

These events and conditions, indicate the existence of a material uncertainly in respect of the Group’s ability to continue as a going concern.

Our conclusion is not modified in this respect.

Responsibilities of directors
The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of the financial information
In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

The purpose of our review work and to whom we owe responsibilities
This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of 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.

Mazars LLP
Chartered Accountants
30 Old Bailey
London
EC4M 7AU

Date: 29 November 2023

Notes:

(a) The maintenance and integrity of the Carclo plc web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions