carclo

Interim 2014

index

carclo plc

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

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

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

Robert Brooksbank, Eric Cook, Bill Tame, Chris Malley, Michael Derbyshire, Robert Rickman

financial
HIGHLIGHTS

Half year results for the six months ended 30 September 2014

Strong performance from manufacturing businesses

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

Financial Highlights

	6 Months ended 30 September 2014 £000	6 Months ended 30 September 2013 £000
Revenue		
Technical Plastics	29,995	28,026
LED Technologies	14,340	12,111
Precision Engineering	2,719	3,923
CIT Technology	1,742	1,374
Total	**48,796**	**45,434**
Operating profit before exceptional items		
Technical Plastics	2,263	1,734
LED Technologies	1,679	923
Precision Engineering	723	691
CIT Technology	(1,028)	6
Unallocated	(1,067)	(574)
Total	**2,570**	**2,780**
Exceptional items	**(23,499)**	**(392)**
Operating (loss) / profit	**(20,929)**	**2,388**
Underlying profit before tax	**2,265**	**2,148**
(Loss) / profit before tax	**(21,234)**	**1,756**
Basic earnings per share	**(31.7p)**	**2.0p**
Underlying earnings per share	**2.5p**	**2.5p**
Interim dividend per share	**0.85p**	**0.85p**
Net debt	**22,428**	**14,345**

- Technical Plastics increased underlying operating profits by 30.5% to £2.3 million (2013 - £1.7 million)
- LED Technologies benefitted from a strong performance in its supercar lighting business leading to underlying operating profits 81.9% above the previous half year at £1.7 million (2013 – £0.9 million)
- Precision Engineering had a positive first half generating underlying operating profits 4.6% ahead of the previous half year at £0.7 million (2013 - £0.7 million)
- Operating profit before exceptional items was impacted by higher amortisation charges and the reduced level of capitalised costs in CIT Technology ("CIT")
- Impairment review of the tangible and intangible assets of CIT led to a non-cash write down of £21.3 million
- Interim dividend maintained at 0.85p per share
- Net debt has risen to £22.4 million (2013 - £14.3 million) due to our continued investment in the group's manufacturing capacity and the unwinding of the $10.0 million prepayment from Atmel Corporation ("Atmel") as CIT generated sales of coated film
- The group's balance sheet remains strong and its financing is within its banking covenant limits. New committed facilities are expected to be agreed by the end of the financial year

operational HIGHLIGHTS

- In Technical Plastics, our US and Czech businesses have completed their expansion programmes and are now fully operational. This additional capacity will support the business wins that have already been secured. We have executed a lease agreement for a larger medical facility in Taicang, to replace our existing nearby Shanghai facility. The closure of our loss making Harthill plant has been completed on schedule
- In LED Technologies, our Wipac business has continued to win new business from its major supercar lighting customers. The new optics design and warehousing facility in Aylesbury is fully operational. The division is well placed to deliver impressive growth both in the current financial year and beyond
- At Carclo Diagnostic Solutions we have made excellent progress in line with our development timeline

Commenting on the results, Michael Derbyshire, Chairman said -

“The group’s two main manufacturing divisions have produced excellent results in the first half of the year. With new business wins already secured both Technical Plastics and LED Technologies are expected to enjoy an even stronger second half. The increase in global medical markets and new customer wins and expanded capacity in Technical Plastics underpin the good growth prospects for this division. Investment in the Wipac facility and further programme wins will enable the LED Technologies division to exceed the previous growth expectations.

The strategic review of the CIT business is underway and we expect to conclude this process by the end of the current financial year. We have continued to make excellent technical progress with Carclo Diagnostic Solutions’ innovative Micropoc platform development.”

Forward looking statements

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

chairman's statem

Overview

Overall Carclo has traded in line with the board's expectations in the first half of the financial year with good revenue and profit progression in both Technical Plastics and LED Technologies. The group expects a much stronger second half due to the impact of new business wins, expanded capacity, closure of the loss-making Harthill facility, the phasing of tooling programmes and the usual seasonality.

Our Technical Plastics business has traded well ahead of the comparative period last year and is set for a stronger second half performance. The expansion of the facilities in the US and Czech Republic has been completed and this investment is underpinned by significant business awards. We have completed the lease of a new Chinese facility in Taicang to replace our existing Shanghai operation. This new property will contain state of the art cleanroom facilities for medical component manufacture providing a long term platform to supply the growing Chinese medical diagnostics market. The Harthill facility closure has been completed on schedule.

In the LED Technologies division, the first half has been significantly stronger than the comparative period last year. This is due mainly to the high level of design and development work being performed in the supercar lighting division as a result of recent new programme wins. This work is set to underpin our production revenues over the next few years. In the first half of the financial year the business was awarded four new design wins and this will support the strong growth expectations for this operation which is in the process of increasing its capacity and capabilities at its Buckingham facility.

The LED Optics business has continued to trade well. It has now been relocated to new premises in Aylesbury alongside the other smaller Wipac aftermarket businesses.

In Precision Engineering, our aerospace businesses continue to perform well and recently awarded new business provides an opportunity to grow these activities.

At CIT, sales of coated film were in line with expectations in the first half. However, as a result of the higher amortisation charges and much lower levels of costs capitalised, the business made a loss of £1.0 million in the first half of the financial year. As announced previously, the poor financial performance, and the lower than expected take up of the touch screen technology has precipitated a full strategic review of the business, which is expected to be completed by the group's year-end. In addition, an impairment review has resulted in a decision to impair the intangible and tangible assets of the CIT business by £21.3 million.

Carclo Diagnostic Solutions has made excellent progress and remains on target to achieve the timelines as illustrated in the Report & Accounts 2014.

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Underlying group operating profits of £2.6 million were lower than the prior year (2013 - £2.8 million). Excellent performances by Technical Plastics and LED Technologies were more than offset by the losses at CIT. Unallocated costs have also returned to normal levels with less central management cost being allocated to CIT and Precision Engineering than in the prior year. Despite this, underlying profit before tax increased to £2.3 million (2013 - £2.1 million).

Underlying earnings per share for the six months to 30 September 2014 were 2.5p in line with prior year (2013 – 2.5p). Due to the exceptional write down at CIT, the group generated a loss before tax in the six months to 30 September 2014 of £21.2 million (2013 - £1.8 million profit). Consequently, basic earnings per ordinary share decreased to (31.7)p (2013 - 2.0p).

Financial position

As expected, net debt has risen since the year-end to £22.4 million (2013 - £14.3 million) due to the planned capital expenditure investments and an increase in working capital. This represents gearing on assets (excluding the pension deficit) of 39.5% (2013 – 19.3%). The group's balance sheet remains strong and its financing is within its banking covenant limits. The group generated cash from operations of £0.2 million (2013 - £2.5 million) with working capital increasing by £4.6 million (2013 - £2.0 million) due mainly to the unwinding of the Atmel prepayment and increased sub-contract tooling balances.

Capital expenditure in the six months to 30 September 2014 was £3.2 million (2013 - £3.7 million). This reflected the completion of the major facility expansion at our Technical Plastics facility in Latrobe, Pennsylvania and the investment in modernising our facility and equipment technology at Wipac to support the large influx of new technical high end automotive lighting programmes. Investment in new technologies continued with £0.8 million (2013 - £2.2 million) invested in development at CDS and CIT Technology.

In line with our normal practice, the group has commenced negotiations to refinance its medium term loan facilities and expects to have completed this process on similar terms to its existing facilities by the financial year end.

Since the start of the current financial year, the corporate bond yield, which is used to discount the group pension scheme liabilities, has decreased significantly and equity markets have also weakened resulting in a pension deficit of £11.8 million as at 30 September 2014 compared to a small surplus at 31 March 2014 under IAS19 "Employee Benefits".

The board has declared an interim dividend of 0.85 pence per ordinary share (2013 - 0.85 pence). The dividend will be paid on 10 April 2015 to shareholders on the register on 6 March 2015. The shares will trade ex-dividend from 5 March 2015.

Operating Review

Technical Plastics

Technical Plastics reported revenues of £30.0 million (2013 - £28.0 million), an increase of 7.0% on the same period last year and just ahead of global medical market growth. Operating profits, before rationalisation costs, increased by £0.6 million to £2.3 million (2013 - £1.7 million). This is primarily due to growth in our US and Czech operations. Our Chinese business also had a stronger half than in the previous year and our Indian business continued to perform well. Our strategy to grow our existing sites and increase our asset utilisation is starting to show the improved returns that we have been anticipating. Medical and optics business now accounts for over 70% of this division's revenue.

We have continued to gain new business awards from our target customer base, and this will drive future sales growth in this division.

As reported in our October 2014 half year trading statement, we have committed to moving our existing Chinese facility from Shanghai to Taicang, following the award of a multi-year programme for medical component manufacture by an existing, US-based customer, in order to benefit from the world's fastest growing medical market. The new facility is significantly larger than our existing one and will provide cleanroom manufacturing capacity to support the long term expansion of the medical business into China. Whilst this investment is supported by an existing global customer programme, we have several other key strategic Western-based global accounts who we believe will use our newly expanded business during the medium term.

The closure of the loss making operation at Harthill, Scotland has now been completed and the work which was identified as to be retained is now in full production across several of our other locations.

LED Technologies

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

The LED Technologies division generated sales of £14.3 million (2013 - £12.1 million) and operating profits of £1.7 million (2013 - £0.9 million). This performance was in line with expectations following the award of several new programmes in Wipac during the second half of the previous financial year. In addition four contract wins came in the first half of this year and these and further anticipated programme wins will enable this division to exceed the previously expected growth over the coming years. Our major investment in Wipac's Buckingham factory is nearing completion. We have recently installed additional capabilities including a further two shot moulding machine as well as a state of the art UV coating line. We are serving some of the most advanced and demanding customers in the world and it is essential that our facility meets their expectations in order that we can continue to develop and grow in the markets which we serve.

Our LED Optics business has continued to be successful with good first half trading, particularly in the area of custom optics. This business relocated from Slough to a much larger facility in Aylesbury which now also incorporates the smaller Wipac aftermarket retail businesses and warehousing.

Precision Engineering

The aerospace business performed in line with expectations with sales of £2.7 million (2013 - £3.9 million) and operating profits of £0.7 million (2013 - £0.7 million). The decrease in turnover was mainly due to the sale of the non-core Birkett Cutmaster business at the prior year-end, although this disposal has not affected overall profitability. Our continued focus on customer service and fast turnaround for the aerospace spares sector continues to be attractive to OEMs and their Tier 1 suppliers. We have recently secured further OEM spares work which should help us grow the business over the coming years. This business continues to produce strong margins and excellent cash generation.

chairman’s statement

CIT Technology (“CIT”)

CIT has continued to supply coated film to Atmel. Much work has been undertaken by CIT to improve the efficiency of the existing supply chain through product performance enhancement and supply chain process yield improvements. Turnover in the first half of the year was £1.7 million (2013 - £1.4 million) with an underlying operating loss of £1.0 million (2013 - £0.0 million). The main reasons for this loss were the reduction in capitalisation of development costs and the increased level of amortisation charges.

In light of the board’s forward view of the business and Atmel’s own public statements about their XSense™ business, a strategic review of the CIT business has been commenced. As part of this review, the board has conducted an impairment review that has resulted in a write down of the intangible and tangible fixed assets by £21.3 million leaving the carrying value of the CIT investment at £5.3 million. Whilst sales have tracked our H1 expectations the increasing price pressure from the sector has brought into question the sustainability of our current business model. Our contractual relationship with Atmel results in mutual obligations which need be considered by both parties. Nonetheless we remain committed to reaching a clear and positive outcome for the group on or before our year end. We continue to work together with Atmel and have appointed our own advisors to assist us as we look to both eliminate the risk of future losses and ensure the maximum level of return from our investment and the continuation of the excellent technology that we have created.

Carclo Diagnostic Solutions

At Carclo Diagnostic Solutions we have continued to develop our quantitative, disposable, Point-of-Care diagnostic platforms in line with the detailed work plan illustrated in the Report & Accounts 2014. The focus continues on four initial applications:

- CAT device for blood coagulation testing
- CAT device for infectious disease determination using CRP
- PRO device for Pi_GST ELISA testing for kidney disorders
- PRO device for a cardiac marker using Troponin-I

As part of our planned investment we are now utilising part of our Cambridge based operation to supplement our Daresbury Laboratory. We have developed rigorous programme plans and have continued to overcome technical obstacles. In particular there has been an exciting breakthrough in our microfluidics optimisation work which will support all four of our application areas moving forward. We continue to work with a wide range of commercial partners and outside technical advisors, as well as potential customers.

Risks and uncertainties

In the annual report to shareholders in June 2014 we provided a detailed review of the risks faced by the group and how these risks are managed. We continue to face, and proactively manage, the risks and uncertainties in our business and there has been no significant change in the risks faced by the group.

Outlook

The group’s two main manufacturing divisions have produced excellent results in the first half of the year and both Technical Plastics and LED Technologies are expected to enjoy an even stronger second half.

The increase in global medical markets and new customer wins and expanded capacity in Technical Plastics underpin the good growth prospects for this division. China has become the fastest growing consumer market for medical devices and as such we are investing in an expanded cleanroom facility. This, underpinned by the partnership with a global US based medical company, leaves us well positioned for considerable future growth in this market.

Investment in the Wipac facility and further programme wins will enable the LED Technologies division to exceed the previous growth expectations. Wipac has been increasingly successful at developing strong partnerships across a range of key premium automotive customers. These relationships are resulting in technology alignments which will be both beneficial to our customers and drive further future growth in our business.

The strategic review of the CIT business is underway and we expect to conclude this process by the end of the current financial year.

We have continued to make excellent technical progress with Carclo Diagnostic Solutions’ innovative Micropoc platform development.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 September 2014 unaudited £000**	Six months ended 30 September 2013 unaudited £000	Year ended 31 March 2014 audited £000
Revenue	4	**48,796**	45,434	97,267
Underlying operating (loss) / profit				
Operating profit before exceptional items		**2,570**	2,780	6,551
– rationalisation costs	5	**(2,236)**	-	(92)
– litigation costs	5	**-**	(392)	(428)
– impairment of CIT Technology	5	**(21,263)**	-	-
After exceptional items		**(20,929)**	2,388	6,031
Operating (loss) / profit	4	**(20,929)**	2,388	6,031
Finance revenue	6	**27**	18	16
Finance expense	6	**(332)**	(650)	(1,276)
(Loss) / profit before tax		**(21,234)**	1,756	4,771
Income tax credit / (expense)	7	**251**	(439)	(1,179)
(Loss) / profit after tax but before loss on discontinued operations		**(20,983)**	1,317	3,592
Loss on discontinued operations, net of tax	8	**-**	(37)	(37)
(Loss) / profit after tax		**(20,983)**	1,280	3,555
Attributable to –				
Equity holders of the parent		**(20,966)**	1,300	3,597
Non-controlling interests		**(17)**	(20)	(42)
		(20,983)	1,280	3,555
Earnings per ordinary share	9			
Basic – continuing operations		**(31.7)p**	2.0p	5.5p
Basic – discontinued operations		**0.0p**	0.0p	0.0p
Basic – total		**(31.7)p**	2.0p	5.5p
Diluted – continuing operations		**(31.7)p**	2.0p	5.5p
Diluted – discontinued operations		**0.0p**	0.0p	0.0p
Diluted – total		**(31.7)p**	2.0p	5.5p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2014 unaudited £000	Six months ended 30 September 2013 unaudited £000	Year ended 31 March 2014 audited £000
(Loss) / profit for the period	**(20,983)**	1,280	3,555
Other comprehensive income -			
Items that will not be reclassified to the income statement			
Remeasurement (losses) / gains on defined benefit scheme	**(12,093)**	7,727	15,365
Deferred tax arising	**2,418**	(2,668)	(4,196)
Total items that will not be reclassified to the income statement	**(9,675)**	5,059	11,169
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**124**	(1,502)	(3,029)
Impact of the change in rate of deferred taxation	**-**	190	222
Total items that are or or may in future be classified to the income statement	**124**	(1,312)	(2,807)
Other comprehensive income, net of income tax	**(9,551)**	3,747	8,362
Total comprehensive income for the period	**(30,534)**	5,027	11,917
Attributable to -			
Equity holders of the parent	**(30,517)**	5,047	11,959
Non-controlling interests	**(17)**	(20)	(42)
	(30,534)	5,027	11,917

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2014 unaudited £000**	30 September 2013 unaudited £000	31 March 2014 audited £000
Assets				
Intangible assets	11	**30,026**	46,092	45,994
Property, plant and equipment	12	**29,522**	34,166	35,657
Investments		**7**	7	7
Deferred tax assets		**7,065**	7,751	4,789
Retirement benefit obligations	14	**-**	-	239
Total non current assets		**66,620**	88,016	86,686
Inventories		**13,397**	13,059	13,363
Trade and other receivables		**21,901**	18,240	21,136
Cash and cash deposits		**8,779**	11,397	11,764
Non current assets classified as held for sale	13	**1,175**	-	-
Total current assets		**45,252**	42,696	46,263
Total assets		**111,872**	130,712	132,949
Liabilities				
Interest bearing loans and borrowings		**-**	17,887	17,569
Deferred tax liabilities		**5,598**	6,757	6,642
Retirement benefit obligations	14	**11,849**	8,087	-
Total non current liabilities		**17,447**	32,731	24,211
Trade and other payables		**17,672**	19,428	20,163
Current tax liabilities		**2,423**	2,762	2,144
Provisions	5	**755**	-	-
Interest bearing loans and borrowings		**31,207**	7,855	11,875
Total current liabilities		**52,057**	30,045	34,182
Total liabilities		**69,504**	62,776	58,393
Net assets		**42,368**	67,936	74,556
Equity				
Ordinary share capital issued	19	**3,309**	3,297	3,303
Share premium		**21,388**	21,199	21,291
Other reserves		**3,584**	3,584	3,584
Translation reserve		**1,890**	3,293	1,766
Retained earnings		**11,383**	35,503	43,781
Total equity attributable to equity holders of the parent		**41,554**	66,876	73,725
Non-controlling interests		**814**	1,060	831
Total equity		**42,368**	67,936	74,556

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						Non-	
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000	controlling interests £000	Total equity £000
Current half year period – unaudited								
Balance at 1 April 2014	**3,303**	**21,291**	**1,766**	**3,584**	**43,781**	**73,725**	**831**	**74,556**
Loss for the period	**-**	**-**	**-**	**-**	**(20,966)**	**(20,966)**	**(17)**	**(20,983)**
Other comprehensive income –								
Foreign exchange translation differences	**-**	**-**	**124**	**-**	**-**	**124**	**-**	**124**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(12,093)**	**(12,093)**	**-**	**(12,093)**
Taxation on items above	**-**	**-**	**-**	**-**	**2,418**	**2,418**	**-**	**2,418**
Transactions with owners recorded directly in equity –								
Share based payments	**-**	**-**	**-**	**-**	**(5)**	**(5)**	**-**	**(5)**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(1,752)**	**(1,752)**	**-**	**(1,752)**
Exercise of share options	**6**	**97**	**-**	**-**	**-**	**103**	**-**	**103**
Performance share plan awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 September 2014	**3,309**	**21,388**	**1,890**	**3,584**	**11,383**	**41,554**	**814**	**42,368**
Prior half year period – unaudited								
Balance at 1 April 2013	3,258	20,901	4,795	3,584	31,504	64,042	1,080	65,122
Profit for the period	-	-	-	-	1,300	1,300	(20)	1,280
Other comprehensive income –								
Foreign exchange translation differences	-	-	(1,502)	-	-	(1,502)	-	(1,502)
Remeasurement gains on defined benefit scheme	-	-	-	-	7,727	7,727	-	7,727
Taxation on items above	-	-	-	-	(2,478)	(2,478)	-	(2,478)
Transactions with owners recorded directly in equity –								
Share based payments	-	-	-	-	38	38	-	38
Dividends to shareholders	-	-	-	-	(1,674)	(1,674)	-	(1,674)
Exercise of share options	3	30	-	-	-	33	-	33
Performance share plan awards	36	268	-	-	(914)	(610)	-	(610)
Balance at 30 September 2013	3,297	21,199	3,293	3,584	35,503	66,876	1,060	67,936
Prior year period – audited								
Balance at 1 April 2013	3,258	20,901	4,795	3,584	31,504	64,042	1,080	65,122
Profit for the period	-	-	-	-	3,597	3,597	(42)	3,555
Other comprehensive income –								
Foreign exchange translation differences	-	-	(3,029)	-	-	(3,029)	-	(3,029)
Remeasurement gains on defined benefit scheme	-	-	-	-	15,365	15,365	-	15,365
Taxation on items above	-	-	-	-	(3,974)	(3,974)	-	(3,974)
Transactions with owners recorded directly in equity –								
Share based payments	-	-	-	-	34	34	-	34
Dividends to shareholders	-	-	-	-	(1,674)	(1,674)	-	(1,674)
Exercise of share options	10	122	-	-	-	132	-	132
Increase in holding in subsidiary with non-controlling interests	-	-	-	-	192	192	(207)	(15)
Performance share plan awards	35	268	-	-	(913)	(610)	-	(610)
Taxation on items recorded directly in equity	-	-	-	-	(350)	(350)	-	(350)
Balance at 31 March 2014	3,303	21,291	1,766	3,584	43,781	73,725	831	74,556

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Six months ended 30 September 2014 unaudited £000**	Six months ended 30 September 2013 unaudited £000	Year ended 31 March 2014 audited £000
Cash generated from operations	15	**162**	2,486	5,627
Interest paid		**(288)**	(333)	(641)
Tax paid		**(373)**	(378)	(753)
Net cash from operating activities		**(499)**	1,775	4,233
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**37**	24	60
Interest received		**23**	17	16
Cash flows on discontinued operations		**-**	(37)	(37)
Acquisition of property, plant and equipment		**(3,229)**	(3,749)	(7,352)
Acquisition of intangible assets – computer software		**(96)**	(26)	(110)
Investment in Platform Diagnostics Limited		**-**	-	(15)
Development expenditure		**(840)**	(2,237)	(3,519)
Net cash from investing activities		**(4,105)**	(6,008)	(10,957)
Cash flows from financing activities				
Proceeds from exercise of share options		**103**	33	132
Drawings on term loan facilities		**4,500**	-	-
Cash outflow in respect of performance share plan awards		**-**	(610)	(610)
Dividends paid		**(561)**	(521)	(1,674)
Net cash from financing activities		**4,042**	(1,098)	(2,152)
Net decrease in cash and cash equivalents		**(562)**	(5,331)	(8,876)
Cash and cash equivalents at beginning of period		**(111)**	9,130	9,130
Effect of exchange rate fluctuations on cash held		**110**	(257)	(365)
Cash and cash equivalents at end of period	16	**(563)**	3,542	(111)

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 2014 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2014 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 2014 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 2014 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 18 November 2014 and is being sent to shareholders on 28 November 2014. 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 2014 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 2014.

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 2014. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2014:

IFRS 10 – "Consolidated Financial Statements" and IAS 27 – "Separate Financial Statements", IFRS 11 – "Joint Arrangements" and IAS 28 – "Investments in Associates and Joint Ventures". These are part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates;

IFRS 12 – "Disclosure of Interests in Other Entities"; – This contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities;

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32);

Recoverable Amounts Disclosures for Non-Financial Assets (Amendments to IAS 36);

IFRIC 21 - Levies;

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39);

These standards do not have a material impact on the Consolidated Financial Statements.

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 2014.

NOTES ON THE ACCOUNTS

4 Segment reporting

The group is organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Precision Engineering and CIT Technology. These are the segments for which summarised management information is presented to the group's chief operating decision maker (comprising the main board and group executive committee).

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

The LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for supercars.

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

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

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

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

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2014 were as follows –							
Consolidated income statement							
Total revenue	31,005	14,347	2,719	1,742	-	(1,017)	48,796
Less inter-segment revenue	(1,010)	(7)	-	-	-	1,017	-
Total external revenue	29,995	14,340	2,719	1,742	-	-	48,796
Expenses	(27,732)	(12,661)	(1,996)	(2,770)	(1,067)	-	(46,226)
Underlying operating profit	2,263	1,679	723	(1,028)	(1,067)	-	2,570
Impairment costs	-	-	-	(21,263)	-	-	(21,263)
Reorganisation costs	(2,236)	-	-	-	-	-	(2,236)
Operating loss	27	1,679	723	(22,291)	(1,067)	-	(20,929)
Net finance expense							(305)
Income tax credit							251
Loss after tax							(20,983)
Consolidated statement of financial position							
Segment assets	66,632	18,903	6,446	6,514	13,377	-	111,872
Segment liabilities	(12,714)	(3,996)	(863)	(3,120)	(48,811)	-	(69,504)
Net assets	53,918	14,907	5,583	3,394	(35,434)	-	42,368

4 Segment reporting continued

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2013 were as follows –							
Consolidated income statement							
Total revenue	28,992	12,117	3,923	1,374	-	(972)	45,434
Less inter-segment revenue	(966)	(6)	-	-	-	972	-
Total external revenue	28,026	12,111	3,923	1,374	-	-	45,434
Expenses	(26,292)	(11,188)	(3,232)	(1,368)	(574)	-	(42,654)
Underlying operating profit	1,734	923	691	6	(574)	-	2,780
Litigation costs	-	-	-	(392)	-	-	(392)
Operating profit	1,734	923	691	(386)	(574)	-	2,388
Net finance expense							(632)
Income tax expense							(439)
Loss on discontinued operations, net of tax							(37)
Profit after tax							1,280
Consolidated statement of financial position							
Segment assets	63,852	17,137	7,030	30,164	12,529	-	130,712
Segment liabilities	(11,299)	(2,601)	(1,275)	(6,817)	(40,784)	-	(62,776)
Net assets	52,553	14,536	5,755	23,347	(28,255)	-	67,936

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the year ended 31 March 2014 were as follows –							
Consolidated income statement							
Total revenue	59,945	28,187	7,776	3,251	-	(1,892)	97,267
Less inter-segment revenue	(1,865)	(27)	-	-	-	1,892	-
Total external revenue	58,080	28,160	7,776	3,251	-	-	97,267
Expenses	(53,465)	(25,591)	(6,239)	(3,420)	(2,001)	-	(90,716)
Underlying operating profit	4,615	2,569	1,537	(169)	(2,001)	-	6,551
Rationalisation costs	-	-	-	-	(92)	-	(92)
Litigation costs	-	-	-	(428)	-	-	(428)
Operating profit	4,615	2,569	1,537	(597)	(2,093)	-	6,031
Net finance expense							(1,260)
Income tax expense							(1,179)
Loss on discontinued operations, net of tax							(37)
Profit after tax							3,555
Consolidated statement of financial position							
Segment assets	68,235	18,354	6,491	28,427	11,442	-	132,949
Segment liabilities	(13,999)	(3,838)	(935)	(4,871)	(34,750)	-	(58,393)
Net assets	54,236	14,516	5,556	23,556	(23,308)	-	74,556

NOTES ON THE ACCOUNTS

5 Exceptional costs	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Litigation costs	**-**	(392)	(428)
Rationalisation costs	**(2,236)**	-	(92)
Impairment review of CIT Technology	**(21,263)**	-	-
	(23,499)	(392)	(520)

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

As discussed in the Report & Accounts 2014, following the year end a decision was made to close the loss making Technical Plastics site in Harthill, Scotland. During the current period the closure has progressed and an impairment review of the remaining assets has also been completed leading to rationalisation costs of £1.481 million. A provision of £0.755 million has been made against the remainder of the expected costs. As part of the process the property at Harthill has now been classified as held for sale (see note 13).

As discussed in Note 11, in line with the anouncement of the strategic review of the CIT division, an impairment review was undertaken on the CIT Technology cash generating unit. As a result an impairment of £0.931 million has been recognised in respect of goodwill, £15.010 million in respect of patents and development costs and £5.322 million in respect of plant and equipment.

6 Net finance expense	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Finance revenue	**22**	18	16
Finance expense	**(332)**	(312)	(617)
Net interest on the net defined benefit obligations	**5**	(338)	(659)
	(305)	(632)	(1,260)

7 Income tax expense	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
The (credit) / charge recognised in the condensed consolidated income statement comprises -			
Tax expense arising on ordinary activities	**612**	439	1,179
Deferred tax credit arising on exceptional items	**(863)**	-	-
Total income tax (credit) / charge recognised in the condensed consolidated income statement	**(251)**	439	1,179

The half year accounts include a tax charge of 27.0% of profit before tax (2013 - 25.0%) based on the estimated average effective income tax rate on ordinary activities for the full year. The group's effective tax rate on ordinary activities is at a higher level than the underlying UK tax rate of 21.0.% (2013 - 23.0%) as the group is earning a higher proportion of its profits in higher tax jurisdictions.

In addition a deferred tax credit of £0.863 million arises on exceptional items during the six months ended 30 September 2014 which results in an overall effective income tax rate of 1.2% of profit before tax for the period.

During the six months ended 30 September 2014 a £2.418 million credit was recognised in other comprehensive income in respect of deferred tax arising on remeasurement losses on the defined benefit obligations.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the company's future tax charge accordingly and has been taken account when performing the relevant deferred tax calculations in this report.

8 Loss on discontinued operations, net of tax	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Costs incurred in relation to previously leased properties	**-**	(37)	(37)
	-	(37)	(37)

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 2014 £000	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
(Loss) / profit after tax from continuing operations	**(20,983)**	1,317	3,592
Loss attributable to non-controlling interests	**17**	20	42
(Loss) / profit attributable to ordinary shareholders from continuing operations	**(20,966)**	1,337	3,634
Loss on discontinued operations net of tax	**-**	(37)	(37)
(Loss) / profit after tax, attributable to equity holders of the parent	**(20,966)**	1,300	3,597

	Six months ended 30 September 2014 Shares	Six months ended 30 September 2013 Shares	Year ended 31 March 2014 Shares
Weighted average number of ordinary shares in issue in the period	**66,121,147**	65,578,303	65,761,466
Effect of share options in issue	**53,100**	275,697	171,187
Weighted average number of ordinary shares (diluted) in the period	**66,174,247**	65,854,000	65,932,653

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 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(20,966)**	1,300	3,597
Rationalisation costs, net of tax	**1,940**	-	71
Litigation costs, net of tax	**-**	302	330
Impairment of CIT Technology, net of tax	**20,696**	-	-
Loss on disposal of discontinued operations, net of tax	**-**	37	37
Underlying profit attributable to equity holders of the parent	**1,670**	1,639	4,035

The following table summarises the earnings per share figures based on the above data –	**Six months ended 30 September 2014 Pence**	Six months ended 30 September 2013 Pence	Year ended 31 March 2014 Pence
Basic – continuing operations	**(31.7)**	2.0	5.5
Basic – discontinued operations	**0.0**	0.0	0.0
Basic – total	**(31.7)**	2.0	5.5
Diluted – continuing operations	**(31.7)**	2.0	5.5
Diluted – discontinued operations	**0.0**	0.0	0.0
Diluted – total	**(31.7)**	2.0	5.5
Underlying earnings per share - basic	**2.5**	2.5	6.1
Underlying earnings per share - diluted	**2.5**	2.5	6.1

NOTES ON THE ACCOUNTS

10 Dividends paid and proposed	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Ordinary dividends per 5 pence share declared in the period comprised –			
Final dividend for 2012/13 (1.75 pence per share)	**-**	1,153	1,153
Interim dividend for 2013/14 (0.85 pence per share)	**561**	-	560
Final dividend for 2013/14 (1.80 pence per share)	**1,191**	-	-
	1,752	1,153	1,713

The directors are proposing an interim dividend of 0.85 pence per ordinary share for the half year ended 30 September 2014. The dividend payment totalling £0.563 million will be paid on 10 April 2015 to shareholders on the share register at close of business on 6 March 2015. The proposed interim dividend has not been provided in the half year accounts.

11 Intangible assets	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
The movements in the carrying value of intangible assets are summarised as follows –			
Net book value at the start of the period	**45,994**	44,516	44,516
Additions	**936**	2,263	3,629
Disposals	**-**	-	(5)
Impairment arising on review of CIT Technology	**(15,941)**	-	-
Amortisation	**(715)**	(291)	(1,006)
Effect of movements in foreign exchange	**(248)**	(396)	(1,140)
Net book value at the end of the period	**30,026**	46,092	45,994

Included within intangible assets is goodwill of £19.3 million (2013 - £21.3 million). The carrying value of goodwill is subject to annual impairment tests by reviewing detailed projections of the recoverable amounts from the underlying cash generating units. At 31 March 2014, 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, except for CIT Technology as disclosed below.

Impairment loss in relation to CIT Technology Limited

Following lower than expected take up of the touch screen technology by end customers and continued losses the group assessed the recoverable value of the amounts held within that cash generating unit.

The carrying amount of the cash generating unit was determined to be higher than its recoverable amount of £5.250 million and an impairment loss of £21.263 million (2013 - £nil) was recognised.

The impairment loss was allocated first to goodwill, reducing the carrying value of goodwill from £0.931 million to £nil. The remaining loss was allocated against patents and development costs, reducing the carrying value from £20.010 million to £5.000 million, and to property plant and equipment, reducing the carrying value from £5.572 million to £0.250 million.

Recoverable amount has been identified as the cash generating unit's value in use which was determined through a value in use calculation, within which the key assumptions are the growth rates and the discount rate, as well as those performance assumptions made in determining budgeted cash flows over the next seven years, which are based on the latest board approved cash flow projections. The growth rate used was 10% per annum and the discount rate was 13.25%.

The recoverable amount of the cash generating unit was also reviewed based on a fair value less cost to sell basis, based on the best current indicators of the value of the assets, and both methods were considered to support the same value.

Other cash generating units were not tested for impairment because there were no impairment indicators at 30 September 2014.

NOTES ON THE ACCOUNTS

12 Property, plant and equipment	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £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	**35,657**	33,449	33,449
Additions	**3,265**	3,212	7,150
Depreciation	**(1,974)**	(1,797)	(3,669)
Disposals	**(6)**	(3)	(31)
Impairment arising on Harthill closure (see note 5)	**(989)**	-	-
Impairment arising on review of CIT Technology (see note 11)	**(5,322)**	-	-
Transfer of Harthill property to non current assets held for sale (see note 13)	**(1,175)**	-	-
Effect of movements in foreign exchange	**66**	(695)	(1,242)
Net book value at the end of the period	**29,522**	34,166	35,657

13 Non current assets classified as held for sale	**As at 30 September 2014 £000**	As at 30 September 2013 £000	As at 31 March 2014 £000
Surplus land and buildings	**1,175**	-	-
Net book value at the end of the period	**1,175**	-	-

At the period end surplus property with a written down value of £1.175 million (2013 - £nil) has been reclassified as being held for sale. This relates to the properties at the recently closed Harthill site. These properties are being actively marketed with an expectation that they will be sold within the next year.

14 Retirement benefit obligations

At 31 March 2014, the group had a retirement benefit asset, as calculated under the provisions of IAS 19 "Employee Benefits", of £0.239 million. Since the start of the current financial year, equity markets have weakened which has resulted in the scheme's assets decreasing in value by £3.548 million to £180.276 million. Additionally, a decrease in the discount rate used to evaluate the scheme's liabilities, from 4.4% at the start of the period to 3.9%, has resulted in the value of the liabilities increasing by £8.540 million to £192.125 million. As a consequence the scheme, on an IAS 19 basis, has decreased from a £0.239 million asset at 31 March 2014 to a liability of £11.849 million at 30 September 2014.

15 Cash generated from operations	**Six months ended 30 September 2014 £000**	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Operating (loss) / profit	**(20,929)**	2,388	6,031
Adjustments for –			
Pension fund contributions in excess of service costs	-	-	(1,009)
Depreciation charge	**1,974**	1,797	3,669
Amortisation of intangible assets	**715**	291	1,006
Exceptional tangible fixed asset write down, arising on rationalisation of business	**6,311**	-	-
Exceptional impairment of intangible assets, arising on rationalisation of business	**15,941**	-	-
Provision for site closure	**755**	-	-
Profit on disposal of other plant and equipment	**(31)**	(21)	(25)
Share based payment charge	**(5)**	38	34
Operating cash flow before changes in working capital	**4,731**	4,493	9,706
Changes in working capital			
Increase in inventories	**(45)**	(756)	(1,265)
(Increase) / decrease in trade and other receivables	**(807)**	738	(2,451)
Decrease in trade and other payables	**(3,717)**	(1,989)	(363)
Cash generated from operations	**162**	2,486	5,627

NOTES ON THE ACCOUNTS

16 Cash and cash equivalents

	As at 30 September 2014 £000	As at 30 September 2013 £000	As at 31 March 2014 £000
Cash and cash deposits	**8,779**	11,397	11,764
Bank overdrafts	**(9,342)**	(7,855)	(11,875)
	(563)	3,542	(111)

17 Net debt

	Six months ended 30 September 2014 £000	Six months ended 30 September 2013 £000	Year ended 31 March 2014 £000
Net decrease in cash and cash equivalents	**(562)**	(5,331)	(8,716)
Net drawings of term loan borrowings	**(4,500)**	-	-
	(5,062)	(5,331)	(8,716)
Effect of exchange rate fluctuations on net debt	**314**	164	214
	(4,748)	(5,167)	(8,502)
Net debt at start of period	**(17,680)**	(9,178)	(9,178)
Net debt at end of period	**(22,428)**	(14,345)	(17,680))

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 2013	66,169,642	3,258
Shares issued on exercise of share options	761,500	39
Issued and fully paid at 30 September 2013	65,931,142	3,297
Shares issued on exercise of share options	123,000	6
Issued and fully paid at 31 March 2014	66,054,142	3,303
Shares issued on exercise of share options	135,000	6
Issued and fully paid at 30 September 2014	**66,189,142**	**3,309**

In the six months ended 30 September 2014, options over 135,000 ordinary shares were exercised at an average exercise price of 77.0 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 2014, the directors' remuneration amounted to £0.340 million (2013 - £0.307 million).

Group pension scheme

Carclo manages a pensions department which administers the group pension scheme. The associated investment costs are recharged to the schemes in full. The costs in the six months ended 30 September 2014 amounted to £1.168 million (2013 - £0.235 million). From 1 April 2007, it has been agreed with the trustees of the pension scheme that, under the terms of the recovery plan, Carclo would bear the scheme's administration costs whilst ever the scheme was in deficit, as calculated at the triennial valuation. Carclo incurred an administration cost of £0.269 million which has been charged against other operating expenses (2013 - £0.325 million).

21 Post balance sheet events

In October 2014, the group injected £1.038 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.

23 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

18 November 2014

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 2014 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial postion, condensed consolidated statement of changes in equity, 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mike Barradell

For and on behalf of

KPMG LLP
Chartered Accountants
1 The Embankment, Neville Street
Leeds LS1 4DW
18 November 2014

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