Carclo plc
Interim Report and Accounts
Half Year Ended 30 September 2019

Summary of Results

Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange. The Group is a global provider of value-adding engineered solutions for the medical, optical and aerospace industries.

The financial highlights for the first half of the financial year to 31 March 2020, being the six months to 30 September 2019 ("H1 2020"), are summarised below:

	H1 2020 £000	H1 2019(2) £000
Revenue from continuing operations	**56,115**	49,935
Underlying(1) operating profit from continuing operations	**3,322**	2,128
Underlying(1) profit before tax from continuing operations	**2,087**	1,263
Underlying(1) earnings per share from continuing operations	**2.2p**	1.2p
Statutory operating (loss)/profit	**(4,169)**	4,273
Statutory (loss)/profit before tax	**(5,554)**	3,352
Basic (loss)/earnings per share	**(8.3p)**	3.5p
Net debt excluding IFRS16 lease liabilities	**26,758**	35,919
Net debt including IFRS16 lease liabilities	**31,689**	n/a
IAS 19 retirement benefit liability	**51,349**	29,463

Revenue from continuing operations		
Technical Plastics	52,440	46,814
Aerospace	3,675	3,121
Total	**56,115**	**49,935**
Underlying operating profit from continuing operations		
Technical Plastics	4,642	3,209
Aerospace	718	606
Unallocated	(2,038)	(1,687)
Total	**3,322**	**2,128**
Underlying EBITDA from continuing operations	**6,345**	**4,301**

- H1 2020 saw strong performances from the two continuing businesses (Aerospace and Technical Plastics)
- Revenue from continuing operations increased by 12% to £56.1m (H1 2019: £49.9m)
- Underlying operating profit from continuing operations increased by 56% to £3.3m (H1 2019: £2.1m)
- The LED Division, where the principal Wipac UK and smaller Wipac Czech businesses were exited after the period-end, continued to have significant performance issues. The results of the

two disposed businesses are shown as discontinued operations whilst the results of the remaining Optics Business are included in those of the Technical Plastics Division. The two Wipac businesses reported a combined loss, before exceptional costs, of £2.7m (H1 2019: profit of £2.4m)

- Exceptional costs from continuing operations were £1.9m (H1 2019: £0.2m) with £2.8m (H1 2019: nil) also incurred in respect of discontinued operations

- Group statutory loss before tax was £5.6m (H1 2019: £3.4m profit)

- Solid progress was made in improving the financial position of the Group with net debt, excluding IFRS16 lease liabilities, reducing to £26.8m at 30 September 2019 (30 September 2018: £35.9m)

- Negotiations with the bank and pension trustee over the long-term funding position of the Group remain on-going, with no certainty that a satisfactory outcome will be reached

Notes:
(1) underlying results are those calculated before discontinued operations and exceptional items. A reconciliation to statutory figures is set out in the Financial Review below.
(2) the results for H1 2019 have not been restated following the implementation of IFRS 16 Leases from 1 April 2019. The impact of the implementation of IFRS 16 is set out in the Financial Review below.

Commenting on the results, Mark Rollins (Chairman) said:
"The strong results of the continuing businesses, along with the exit from the Wipac businesses after the period end, demonstrate the clear progress being made to stabilize the business. Whilst significant challenges remain in reaching agreement on the long-term funding of Carclo with the lending bank and pension trustee, the encouraging operational performances of the Technical Plastics and Aerospace Divisions provide a foundation on which a sustainable future for the Group might be developed."

Enquiries

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Forward looking statements
Certain statements made in these report & 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 actual events to differ materially from any expected future events or results referred to in these forward-looking statements.

Alternative performance measures
The alternative performance measures are defined in the Financial Review, with a reconciliation to statutory figures also included 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

Trading Performance

The Group delivered good trading performances from both the Technical Plastics ("CTP") and Aerospace Divisions (collectively the "continuing operations"), with Group revenue from continuing operations increasing by 12% to £56.1m (H1 2019: £49.9m) for the six month period to 30 September 2019 ("H1 2020"). This revenue growth, together with improved operational performances in a number of CTP operations, resulted in underlying operating profit from continuing operations increasing by 56% to £3.3m (H1 2019: £2.1m).

As previously reported, the LED Division continued to have significant performance issues, with two of the three businesses in the Division for sale throughout much of the period. These two businesses, Wipac Czech and Wipac UK, were exited after the period end with their results reported as discontinued operations in these results. As the only other business in the Division, the Optics business based in Aylesbury, UK, was retained following the sale of the Wipac operations. Its results are included in continuing operations within the CTP Division.

The continuing businesses incurred significant exceptional costs during the period in external advisor fees associated with the ongoing negotiations for the long-term financing of the Group. Due to: these exceptional costs, which were £1.9m (H1 2019: £0.2m); the two Wipac businesses reporting a combined operating loss, including exceptional costs, of £5.6m (H1 2019: profit of £2.4m); and finance costs of £1.4m (H1 2019: £0.9m), the Group statutory loss before tax was £5.6m (H1 2019: £3.4m profit).

Underlying earnings per share from continuing operations for H1 2020 were 2.2 pence (H1 2019: 1.2 pence). The statutory loss per share for the period, for all operations, was 8.3 pence compared to earnings per share of 3.5 pence for H1 2019.

Cash generated from all operations for H1 2020 increased to £14.6m (H1 2019: £1.6m) as a result of the improved trading performance from continuing operations and the one-off realisation of certain Wipac assets resulting from the previously reported decision, taken mid-way through the period, to exit three mid-volume automotive lighting programmes.

As a result of this higher than usual cash generation in the period, net debt, excluding operating lease liabilities, fell to £26.8m at 30 September 2019 (30 September 2018: £35.9m and 31 March 2019: £38.5m). IFRS 16 (Leases) was implemented for the first time from 1 April 2019 and net debt, including the consequent operating lease liabilities, was £31.7m at the end of the period.

Whilst much progress has been made, the Group's long-term financing position is not yet agreed and negotiations, which are on-going with the lending bank and pension trustee, continue to consume significant financial resource and management time with a satisfactory outcome not yet certain.

The half-yearly financial report and results have not been audited by the Group's auditors.

Operations – Continuing

The CTP Division provides value-adding engineered solutions for the medical, optical and other industrial markets mainly using plastic injection molding and assembly technologies. Its largest market is the medical diagnostic market which continues to see steady long-term growth. In H1 2020 most of the Division's operations benefited from both the overall growth in the market as well as from a number of new programme wins, largely from existing customers as operational performance improved.

In addition, CTP India, whose largest customer makes ATM machines, saw a marked increase in its market share and benefited from the key customer's newest product ramping up in volume. Activity in CTP Czech was, however, negatively impacted by the loss of a major industrial customer following its acquisition and the acquiror consolidating its product range. This reduction had been anticipated with the facility footprint successfully reduced in the period, mitigating the impact of the revenue loss on the operation's profitability. The Optics business, which was retained following the Wipac sale with its results now included within the CTP Division, performed in line with expectations.

The Aerospace Division provides, through facilities in the UK and France, cable assemblies and specialist machined parts to the commercial and military aerospace markets. A large proportion of the Division's sales are spares and consequently revenues are sometimes variable. Its commercial sales are mainly for Airbus programmes. H1 2020 saw a healthy level of spares orders together with increasing Airbus build-rates and some market share gains on machined parts in the UK.

Operations – Discontinued
Two of the three businesses making up the historic LED Division were involved in the design, development and manufacture of low volume automotive lighting products for high value cars. As previously reported, the main Wipac UK business struggled to meet customer requirements, as it attempted to launch a high number of new programmes into a highly unstable manufacturing environment. With the Group unable to fund the significant losses and cash requirements of the business, decisions were taken, mid-way though H1 2020, to: exit three mid-volume programmes and monetise some of the related assets; sell the two automotive operations; and to halt further funding for these businesses, instead seeking and receiving customer support to fund them through to their sale.

In the second half of the six month reporting period the three mid-volume programmes were successfully moved out of Wipac and both Wipac businesses were exited after the period end: Wipac Czech on 20 November 2019 through a sale to Magna Automotive Europe GmbH for Euro 1.1m and Wipac UK, through an insolvent "pre-pack" sale, to Wuhu Anrui Optoelectrics Co. Ltd for £10.5m on 20 December 2019. Further details of these transactions, which have been previously reported, are set out later under "Post Balance Sheet Events" in the Financial Review. Given their exit from the Group, the two Wipac businesses are reported as discontinued operations in these results.

Strategy
Over the past twelve months the Group's key strategy focus, driven through necessity, has been to seek to ensure the future survival of the Group through: stemming the significant cash outflows associated with Wipac growing rapidly in a very weak operational environment; improving the operational performances of the CTP and Aerospace businesses; and providing a long-term funding solution for the Group.

The strong results of the continuing businesses, along with the exit from the Wipac businesses after the period end, demonstrate the clear progress being made to stabilize the business. Whilst significant challenges remain in reaching agreement on the long-term funding of Carclo with the lending bank and pension trustee, the encouraging operational performances of the Technical Plastics and Aerospace Divisions provide a foundation on which a sustainable future for the Group might be developed.

Financial Position
Net debt, excluding IFRS16 lease liabilities, was £26.8m at 30 September 2019, with overseas operations holding £8 million in cash and UK borrowings close to £35 million.

Total UK bank facilities at 30 September 2019 were £40.0m, including a revolving credit facility of £30.0m, due to expire on 31 January 2021, and an overdraft facility of £10.0m. In mid-January 2020, the lending bank received two initial distributions, totaling £5.0m, from the Administrator of Wipac Limited, following its insolvency and subsequent sale. At the same time, the Group's overdraft facility reduced in line with the receipts to £5.0m, leaving total UK bank facilities at £35.0m at the date of this report.

The deficit, in respect of the Group's defined benefit pension, included on the Group's balance sheet at 30 September 2019, was £51.3m. The Group has an agreement in place, effective until January 2021, to make contributions of £2.7m per annum.

Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021, and with the pension trustee, to agree the level of future contributions to the pension scheme. The future contribution level, which is likely to be higher than currently, has to be affordable for the Group and acceptable to the pension trustee. The negotiations with the bank and pension trustee are inter-dependent and are expected to be concluded before the financial year end.

Dividend
Given the financial performance and position of the Group, the Board is not recommending the payment

of a dividend in respect of H1 2020 (H1 2019: nil). The payment of dividends will only recommence when the Group's finances are on a more stable and stronger footing and no dividend is envisaged to be paid in respect of the current year.

Board Changes

There have been a number of changes to the Board since the beginning of the year.

Antony Collins, who had been fulfilling the role of Chief Restructuring Officer since he joined the Group at the end of May 2019, was appointed Group Chief Executive and joined the Board with effect from 1 October 2019. At this time, the Group's Chairman, Mark Rollins, ceased to act in an executive capacity and returned to his Non-executive Chairman role.

In July 2019, the Group Finance Director, Sarah Matthews-DeMers informed the Board that she would be leaving the Group at the end of October 2019 to take up the Chief Finance Officer role at AB Dynamics plc. Ed Watkinson was appointed Group Chief Finance Officer designate on 30 September 2019 and took over on Sarah's departure in an interim capacity only. He did not join the Board and, following the sale of Wipac, left the Group on 9 January. A search for his successor is close to completion.

External Auditor

As reported in the 2019 Annual Report, KPMG LLP has been the Group's external auditor since September 2005. Whilst KPMG was reappointed as auditor by shareholders at the General meeting on 19 December, the Group is currently in the process of holding a tender for future audit services in which KPMG LLP has chosen not to participate.

Going Concern

Existing bank facilities have been extended until 31 January 2021 and an agreement is in place with the Pension Trustee for the level of company contributions to the pension scheme over the same period. The forecast projections for the Group's performance over this twelve-month period have been reviewed by the Directors and, based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the ongoing support of the Group's lending bank and an affordable funding agreement being reached with the Pension Trustee, 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 financial statements.

Outlook

CTP continues to make solid cash generative progress and the results for the Division, for the financial year to 31 March 2020 ("FY2020") are expected to be comfortably ahead of those for FY2019, with the outcome for the second half anticipated to be similar to the strong second half performance of the prior year. Aerospace, operating in a niche market having limited growth, is also anticipated to deliver healthily profitable results for FY2020 with a second half result similar to the first. However, the Group's long-term financing position is not yet agreed and negotiations, which are on-going with the lending bank and pension trustee, continue to consume significant financial resource and management time with a satisfactory and affordable outcome not yet certain.

Divisional Review

Technical Plastics Division (continuing operations)

£000s	H1 2020(1)	H1 2019(1)	Change
Revenue	52,440	46,814	12%
Underlying Operating Profit	4,642	3,209	45%
Margin	8.9%	6.9%	

Note (1): The Optics business, based in Aylesbury (UK), was retained by the Group following the sale of Wipac. Its results – revenue of £3.633m (H1 2019: £4.060m) and underlying operating profit of £0.466m (H1 2019: £0.626m) - are included in the table above for both periods. These results were previously included in those of the LED Division.

The Technical Plastics Division now operates out of nine facilities, two in the UK (including the Optics business), four in the USA and one each in the Czech Republic, India and China. Each country, other than the Czech Republic, saw increased revenue in H1 2020, compared with H1 2019, as the key medical diagnostic market grew, and improved operational performance and customer service led to market shares gains in a number of geographies. In addition, India, whose largest customer makes ATM machines, saw a marked increase in its market share and benefited from the key customer's newest product ramping up in volume. Overall the Division saw revenue increase by 12% to £52.4m in H1 2020 (H1 2019: £46.8m) with £1.3m of the increase due to favourable foreign exchange movements. With the strategy to increasingly focus on production volumes, tooling revenue declined in the period, representing only 7% of Divisional revenue in H1 2020 (H1 2019: 11%).

Underlying operating profit increased as a result of the revenue growth and effective cost control. The Czech operation also reported an improved profit, with the negative impact of the loss of a major industrial company, following its acquisition and the acquiror consolidating its product range, having been anticipated and the facility footprint successfully reduced in the period. India reported the strongest profit growth as the facility, which had been expanded in prior years, saw much improved footprint utilisation. In total, the Technical Plastics Division reported underlying operating profits for the first half of 2020 of £4.6m (H1 2019: £3.2m), with £0.1m of the increase due to favourable foreign exchange movements. This 45% improvement was achieved despite tooling profits declining to £0.3m (H1 2019: £0.8m).

As a consequence, the Technical Plastics Division's operating profit margin improved to 8.9% for H1 2020 (H1 2019: 6.9%).

Aerospace Division (continuing operations)

£000s	H1 2020	H1 2019	Change
Revenue	3,675	3,121	18%
Underlying Operating Profit	718	606	18%
Margin	19.5%	19.4%	

Both Bruntons, in the UK, and Jacottet, in France, saw healthy increases in revenue during H1 2020 compared with the same period in 2019. This was largely due to build rate increases at Airbus, market share gains by a key customer for arrestor ropes, improved levels of spares activity and a large customer increasing stocks ahead of Brexit. Overall, Divisional sales increased by 18% to £3.7m (H1 2019: £3.1m).

Operating profit for the Division increased broadly in line with revenue as the improved contribution generated was partially offset by increased costs, particularly at Bruntons where employee costs rose ahead of inflation in order to retain the required skills in the business. As a result, underlying profit for the Division increased by around 18% to £0.7m (H1 2019: £0.6m). Operating margins remained around the 19.5% level.

Wipac businesses (discontinued operations)

£000s	H1 2020(1)	H1 2019(1)	Change
Revenue	21,919	21,520	2%
Underlying Operating (Loss) / Profit	(2,747)	2,361	n/a
Margin	n/a	11.0%	

Note (1): The Optics business, based in Aylesbury (UK), was retained by the Group following the sale of Wipac. Its results – £3.633m revenue (H1 2019: £4.060m) and underlying operating profit of £0.466m (H1 2019: £0.626m) are included in the results of the CTP Division.

Discontinued operations consist of the two Wipac automotive lighting businesses: a major manufacturing and design facility in the UK and a smaller design facility in the Czech Republic. As described earlier, both facilities were in sale processes for the latter three months of the period and were exited after the period end. Further details of these transactions are set out in the "Post Balance Sheet Events" paragraph of the Financial Review below.

As fully described in the Annual Report and Accounts for the year ended 31 March 2019, Wipac experienced severe operational and financial difficulties during the second half of that year as a result of significant number of new programmes being launched into a very weak operational environment. This led to customers experiencing delivery delays and quality issues and the Wipac business reporting significant monthly losses and cash outflows at the start of H1 2020. This situation was in significant danger of adversely affecting the viability of the Carclo Group unless action was taken. Consequently, during H1 2020 the businesses were put up for sale and three mid-volume programmes were exited, with some related assets realised. Operational management was also strengthened and Carclo stopped funding the Wipac business, instead obtaining financial support from the customer base through temporary price surcharges, to allow the businesses to continue to operate whilst the sale processes took place.

The result of these actions were: an improved operational performance, and near elimination of delivery arrears; a business operating around break-even since August, largely due to a significant increase in the size of the temporary price increases from that time; and, ultimately, a successful exit from both Wipac businesses after the period end.

Against this background, production sales revenue grew very strongly as programmes awarded in prior years were launched, although total sales were only up 2% at £21.9m in H1 2020 (H1 2019: £21.5m) as customers avoided awarding any new programmes to Wipac, resulting in a steep decline in revenue from design, development and tooling from £13.5m in H1 2019 to £1.8m in H1 2020.

The operational difficulties, combined with the steep decline in the historical higher margin design, development and tooling activity, led to Wipac making significant losses in the first few months of the period. As mentioned above, these monthly losses were mitigated in the final two months of the period through a marked increase in the level of customer support. As a result, H1 2020 saw the two Wipac operations report a combined underlying loss, before exceptional costs, of £2.7m (H1 2019: £2.4m underlying operating profit).

Financial Review

The additional financial information set out below should be read in conjunction with the commentary included earlier in the Overview and Divisional Review sections of this report.

IFRS 16 - Leases
The Group has applied IFRS 16 for the first time in the period ended 30 September 2019. As permitted by the standard, comparatives for H1 2019 have not been restated and the impact on net assets has been recognised within retained earnings as at 1 April 2019.

IFRS 16 has resulted in almost all leases now being recognised on the balance sheet, with an asset of £4.9m (the right to use the leased asset) and a liability of £4.9m (the liability to pay the lease rentals) being recognised at 30 September 2019. At 1 April 2019, the start of the period and the date of implementation, the corresponding amounts were £5.7m.

In addition, instead of charging a rental expense within operating profit, a depreciation on the right to use asset and a finance charge are now recognised in the income statement. Compared with the previous accounting treatment, these changes have increased the statutory operating profit for the first half by £0.1m but decreased the statutory profit before tax by £0.1m.

Central Costs
These consist principally of the costs of pension scheme administration, people employment, office rent and running costs, travel, share options and fees associated with the audit, the company's stock exchange listing and the bank facility. They total £2.0m for H1 2020 (H1 2019: £1.7m) with the largest constituent being employee salary costs of £0.6m. The main reason for the increase was £0.2m of central IT costs that had been recharged to Wipac operations but, because they will be unable to be recharged in the future, are required to be accounted for in continuing, rather than discontinued, operations. Central costs are expected to remain at a similar level in the future.

Exceptional Costs
The exceptional costs incurred for continuing operations in H1 2020 total £1.9m (H1 2019: £0.2m) and principally relate to: £1.5m for the costs of external advisers of the Company and its lending bank; the costs associated with independent third party consultants involved in the financial restructuring, including £0.2m for Antony Collins when operating in the role of Chief Restructuring Officer; £0.1m of additional costs paid to the auditor as a result of the extra work required because of the financial situation of the Group; and other costs such as redundancy and extraordinary bank fees related to the waiving and renegotiating of bank covenants. The largest amounts paid to external advisers were to PwC (£0.8m), for restructuring advice given to the Company, and to Grant Thornton (£0.3m), the financial advisers to the Group's lending bank, HSBC.

The exceptional costs associated with the discontinued businesses for H1 2020 total £2.8m. These costs principally relate to: a further £1.5m impairment, down to fair value, of the Wipac operation to reflect the subsequent actual sale proceeds of the business; a further £0.5m impairment in the value of the contract assets associated with the mid-volume programmes exited in the period; a write-down of £0.3m in the carrying value of inventory; and £0.5m for the fees of external advisers to Wipac in respect to the restructuring and sale of the business, with amounts paid to PwC of £0.4m being the major element.

The exceptional costs for H1 2020 may be analysed as follows:

£m	Continuing Operations	Discontinued Operations	Total Group
Professional advisers' fees for restructuring	1.5	0.5	2.0
Consultants fees for restructuring	0.3	-	0.3
Exceptional audit fee for y.e. 31 March 2019	0.1	-	0.1
Impairment of Wipac assets	-	1.5	1.5
Impairment of mid-volume programme contract assets	-	0.5	0.5
Inventory write-down	-	0.3	0.3
Total Exceptional Costs	**1.9**	**2.8**	**4.7**

Exceptional professional advisory fees have continued to be incurred at a similar rate during the three months since the end of the first half of the financial year. Whilst a modest reduction in the rate of spend can be expected following the sale of the Wipac businesses, these costs will not reduce substantially until the long-term funding position of the Group is secured.

Finance Costs
Total finance costs, for continuing and discontinued operations, in H1 2020 were £1.4m (H1 2019: £0.9m), consisting of net interest payable on bank loans and finance leases of £0.8m (H1 2019: £0.5m) and net interest on the defined benefit pension liability of £0.6m (H1 2019: £0.4m). The increases in costs were respectively due to the inclusion, for the first time due to the implementation of IFRS16, of

interest costs on operating leases, and an increase in the defined benefit pension liability which significantly increases the imputed interest cost.

Tax

The H1 2020 accounts include a tax charge of £0.5m (H1 2019: £0.4m) on the profit before tax of continuing operations. The effective tax rate is much higher than the UK tax rate of 19% (2019: 19%) mainly because a deferred tax asset has not been recognized in respect of the UK losses, as there is no certainty that the losses will be utilized in the foreseeable future, which has had the effect of increasing the apparent underlying tax rate.

Working Capital and Capital Expenditure

Largely as a result of certain fixed asset, tooling and development cost asset realisations at Wipac, following the decision to exit three mid-volume automotive lighting programmes, working capital (being current assets less current liabilities) fell to £31.3m at 30 September 2019 (30 September 2018: £37.1m). Gross capital expenditure for the period, on a cash basis, was £3.3m (H1 2019: £3.2m) with the majority expended on injection molding machines. Proceeds for the sale of equipment, principally relating to the programme exits at Wipac, were £2.5m for the period (H1 2019: £0.3m).

Cash Flow, Net Debt and Banking Facilities

As a result of the one-off asset realisations at Wipac, and the improved financial performance of the CTP and Aerospace Divisions, cash generated from operations increased to £14.6m (H1 2019: £1.6m), despite the significant exceptional cash costs associated with external advisor fees.

This, combined with a normal level of net capital expenditure, resulted in net debt (excluding IFRS16 liabilities associated with operating leases) decreasing to £26.8m at 30 September 2019 (30 September 2018: £35.9m; 31 March 2019: £38.5m). Including IFRS16 liabilities net debt was £31.7m at the end of the period.

At 31 March 2019, the Group's total UK bank facilities were £47.0m of which £30.0m related to a revolving credit facility and £17.0m to an overdraft facility. The overdraft facility reduced by £2.0m on 1 July 2019 and by a further £5.0m before the end of September 2019, to £10.0m, as monies were received from the Wipac asset realisations. Total UK bank facilities at 30 September 2019 were £40.0m, with the revolving credit facility of £30.0m due to expire on 31 January 2021. In mid-January 2020, the lending bank received two initial distributions, totaling £5.0m, from the Administrator of Wipac Limited, following its insolvency and subsequent sale. At the same time, the Group's overdraft facility reduced by £5.0m, to £5.0m, leaving total UK bank facilities at £35.0m at the date of this report.

Pension

As reported in the Report and Accounts for the year ended 31 March 2019, the deficit on the Group's defined benefit pension scheme, which was closed to future accrual many years ago, moved from a deficit of £29.8m at 31 March 2018 to a deficit of £49.1m at 31 March 2019. This movement resulted from: an increase in liabilities as the AA corporate bond rate fell; an increase in assumed member longevity, following the results of an updated mortality study; and the requirement to account for guaranteed minimum pension benefit equalisation, following a High Court judgement handed down in October 2018 relating to the Lloyds Banking Group's defined benefit scheme. The deficit increased slightly during H1 2020 and stood at £51.3m at 30 September 2019 (30 September 2018: £29.5m), with strong investment returns largely offsetting the adverse impact of a further change in the assumption for the discount rate on liabilities to 1.80% per annum (31 March 2019: 2.40%).

On 21 July 2019, agreement was reached with the Pension Trustee whereby the total contributions paid by the Company (for deficit recovery contributions and scheme administration costs) were set at £225k per month for the period to 31 January 2021. The total cash paid by the Company for the six-month period was £0.8m (H1 2019: £0.2m), with the increase mainly due to the fact that the annual deficit recovery payment was previously paid in a lump sum in October each year.

The last triennial actuarial valuation was carried out as at 31 March 2015. The next triennial valuation as at 31 March 2018 was due to be finalised by 30 June 2019, but negotiations regarding the future level of contributions remain ongoing with an affordable solution yet to be agreed.

Post Balance Sheet Events
As previously reported, the decision was taken mid-way through the half year to sell the two Wipac businesses, with both businesses being successfully exited after the end of the period.

Firstly, the entire share capital of Wipac Czech s.r.o. was sold on 26 November 2019 to Magna Automotive Europe GmbH for a total consideration of €1.1m, comprising €0.8m in cash and the assumption of €0.3m of outstanding liabilities. In the year to 31 March 2019, Wipac Czech reported operating profits of €0.1m and had gross assets of €0.9m at the end of that financial year.

Then, on 20 December 2019, the Group exited the Wipac UK business with Administrators being appointed to Wipac Limited who, immediately following their appointment, sold the business. The business and assets of Wipac Limited (in administration), other than those related to its Aylesbury based Optics business ("Optics"), were sold to Wipac Technology Limited, a newly formed wholly owned subsidiary of Wuhu Anrui Optoelectrics Co. Ltd, for a total consideration of £10.5m. The Group's defined benefit pension scheme and lending bank were the principal secured creditors of Wipac Limited and it is expected that approximately £3.5m of the net proceeds will be paid by the Administrator to the Group's pension scheme and approximately £5.0m will be used to reduce the outstanding drawn balance of the Group's revolving credit facility. In the year ended 31 March 2019, Wipac Limited generated a loss of £13.2m and had gross assets at 31 March 2019 of £46.3m.

Given their sale, the two Wipac businesses are reported as discontinued operations in these results. It is intended that full details of any profit or loss on sale of the businesses will be reported in the Report and Accounts for the year ended 31 March 2020.

Optics is a profitable standalone business, historically operating within the Wipac Limited legal entity, with its business closely related to the Group's Technical Plastics Division. Its principal supplier is CTP Czech. Immediately following the appointment of the Administrators, the Group acquired the business and assets (other than trade debtors) related to Optics, for a total cash consideration of £0.25m. The Administrators retained the Optics trade debtors and the Group will assist in their collection. In the year ended 31 March 2019, the Optics business generated a profit before taxation of £1.1m and had gross assets at 31 March 2019 of £3.5m. The results of the Optics business are now included in the results of CTP Division.

Alternative Performance Measures
In the analysis of the Group's financial performance and position, operating results and cash flows, alternative performance measures are presented to provide readers with additional information. This report includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Underlying results exclude certain items because if included, these items could distort the understanding of the performance for the year and the comparability between the periods. A reconciliation between the statutory and underlying financial measures is shown below.

£m	Statutory	Exceptional items	Underlying Group	Underlying Continuing
CTP operating profit	4.6	-	4.6	4.6
Aerospace operating profit	0.7	-	0.7	0.7
Central costs	(3.9)	1.9	(2.0)	(2.0)
Group operating profit from continuing operations	**1.4**	**1.9**	**3.3**	**3.3**
Group operating loss from discontinued operations	(5.6)	2.8	(2.8)	-
Other finance expense	(1.4)	-	(1.4)	(1.4)
Group (loss) / profit before taxation	**(5.6)**	**4.7**	**(0.9)**	**1.9**
Taxation	(0.7)	-	(0.7)	(0.7)
Group (loss) / profit for the period	**(6.3)**	**4.7**	**(1.6)**	**1.2**
Basic (loss) / profit per share (pence)	**(8.3p)**	**n/a**	**(1.8p)**	**2.2p**

Principal Risks and Uncertainties

In the Annual Report for the year ended 31 March 2019 a detailed review of the principal risks faced by the Group and how the risks were being managed was provided.

These risks related to:

Funding and banking covenants
Operational execution risk
Reliance on major customers
Reliance on major projects
Management bandwidth
Pensions
Global economy
Political uncertainty including “Brexit”
IT security breach / system failures

Whilst the Board considers that these principal risks and uncertainties have not materially changed since the publication of the 2019 Annual Report it is worth noting:

- the sale of Wipac after the period end, which can be expected to reduce the operational execution and reliance on major projects risks;
- the departure on 9 January 2020 of the Group CFO, which is likely to lead to a short-term increase in the management bandwidth risk; and
- the ongoing negotiations with the lending bank and pension trustee which, although not necessarily increasing the risks, bring the realisation of the funding and pensions risks closer in time.

Going Concern

Net debt at 30 September 2019 was £26.8m (excluding operating lease liabilities), an encouraging reduction from £38.5m at 31 March 2019. The decrease was largely as a result of the decision, taken mid-way through the reporting period, to exit three mid-volume programmes at Wipac, with monies subsequently received from customers in respect of the work done on the design, development and tooling for these programmes.

The Directors have reviewed the detailed cash flow forecasts that have been prepared for a period in excess of two years from the date of the approval of these financial statements. The Directors have also considered the debt facilities available to the Group which currently comprise of an overdraft facility of £5.0m and a £30.0m revolving credit facility maturing at the end of January 2021, a period of twelve months from the date of this report.

The bank covenants were renegotiated during the period, as part of the on-going financing discussions, with the main applicable covenants at 30 September 2019 being Interest Cover of greater than 1.75x and a Net Debt: EBITDA ratio of less than 4.50x. These were both met, based on the September management accounts, at the period end with Interest Cover being 3.27x and Net Debt: EBITDA being 3.21x. Under the cash flow forecast base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period.

A number of assumptions that have been made in the forecast including:

- **The lending bank continuing to offer sufficient facilities**
  The base case cash flow forecast and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to January 2021, in addition to the £30m revolving credit facility.

- **An affordable funding agreement being reached with the Pension Trustee**
  The Group's defined benefit pension scheme has a sizeable funding deficit. Until 31 January 2021, a total of £2.7m per annum is being paid to the scheme by the Group. Negotiations for a long-term funding agreement are on-going and it is likely that a higher-level of contributions will be required. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that an affordable level of contributions can be agreed.

- **Suppliers continuing to offer normal commercial credit terms**
  Certain credit insurers have removed cover on the Group. To date this has not had a material impact on the cash flows. The cash forecast assumes that suppliers continue to offer normal commercial credit terms. Any move to acceleration of supplier payments could impact on cash requirements.

- **Customers paying invoices to terms**
  Any significant delay in receiving payment could impact on headroom.

- **Ongoing trading performance**
  The CTP Division has won a number of new sales programmes which are due to start in the current financial year. Any delay in commencement or in the ramp up of forecast volumes or failure to deliver revenue and margin growth could reduce headroom, as could any material trading underperformance in the remaining businesses or loss of existing customers.

- **Capital investment projects completing on time and on budget**
  The CTP Division has won a number of new sales programmes which require capital investment. If this investment is not completed on time and on budget, there could be further cash requirements for the Group

Financial sensitivity modelling was carried out which assessed the impact of the risks noted above both individually and in aggregate on both headroom and bank covenants.

The Board concluded that in the event of any of these individual risks occurring and having a material impact on the forecasts, the Group would require the support of its lenders by way of additional overdraft facility and/or covenant waiver or deferral.

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the ongoing support of the Group’s lending bank and an affordable funding agreement being reached with the Pension Trustee, 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 financial statements.

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 parties’ transactions and changes therein).

By order of the Board,

Mark Rollins	**Antony Collins**
Chairman	Group Chief Executive

20 January 2020

Glossary of Terms

CONSTANT CURRENCY	Retranslated at the prior half-year's average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader's understanding
GROUP CAPITAL EXPENDITURE	Fixed 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 DEBT	Cash and cash deposits less current and non-current interest-bearing loans, borrowings and finance leases. Used to report the overall financial debt of the Group in a manner that is easy to understand
UNDERLYING	Adjusted to exclude all exceptional items
UNDERLYING EBITDA	Profit before interest tax, depreciation, amortisation adjusted to exclude all exceptional items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional items

Condensed consolidated income statement

	Notes	Six months ended 30 September 2019 unaudited £000	Six months ended 30 September 2018 restated* unaudited £000	Year ended 31 March 2019 restated* audited £000
Revenue - continuing operations	4	**56,115**	49,935	105,340
Operating profit before exceptional items - continuing operations		**3,322**	2,128	6,390
Exceptional items - continuing operations	5	**(1,930)**	(216)	(4,507)
Operating profit - continuing operations	4	**1,392**	1,912	1,883
Finance revenue - continuing operations	6	**51**	35	35
Finance expense - continuing operations	6	**(1,286)**	(900)	(1,926)
Profit / (loss) before tax - continuing operations		**157**	1,047	(8)
Income tax expense - continuing operations	7	**(501)**	(407)	(2,931)
(Loss) / profit after tax but before loss on discontinued operations		**(344)**	640	(2,939)
(Loss) / profit on discontinued operations, net of tax		**(5,747)**	1,899	(15,693)
(Loss) / profit after tax		**(6,091)**	2,539	(18,632)
Attributable to -				
Equity holders of the parent		**(6,091)**	2,539	(18,632)
Non-controlling interests		**-**	-	-
		(6,091)	2,539	(18,632)
Earnings per ordinary share	8			
Basic - continuing operations		**(0.5) p**	0.9 p	(4.0) p
Basic - discontinued operations		**(7.8) p**	2.6 p	(21.4) p
Basic		**(8.3) p**	3.5 p	(25.4) p
Diluted - continuing operations		**(0.5) p**	0.9 p	(4.0) p
Diluted - discontinued operations		**(7.8) p**	2.6 p	(21.4) p
Diluted		**(8.3) p**	3.5 p	(25.4) p

The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

*The comparative information is restated on account of the amounts presented in the condensed consolidated income statement under discontinued operations which relate to the two Wipac businesses exited after the end of the period, as detailed in Note 22 Post balance sheet events.

Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2019 unaudited £000	Six months ended 30 September 2018 unaudited £000	Year ended 31 March 2019 audited £000
(Loss) / profit for the period	**(6,091)**	2,539	(18,632)
Other comprehensive income -			
Items that will not be reclassified to the income statement			
Remeasurement (losses) / gains on defined benefit scheme	**(2,450)**	696	(16,293)
Deferred tax arising	**-**	(80)	(5,260)
Total items that will not be reclassified to the income statement	**(2,450)**	616	(21,553)
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**2,363**	945	1,260
Net investment hedge	**(704)**	-	(425)
Deferred tax arising	**(136)**	(178)	(61)
Total items that are or may in future be classified to the income statement	**1,523**	767	774
Other comprehensive (expense) / income, net of income tax	**(927)**	1,383	(20,779)
Total comprehensive (expense) / income for the period	**(7,018)**	3,922	(39,411)
Attributable to -			
Equity holders of the parent	**(7,018)**	3,922	(39,411)
Non-controlling interests	**-**	-	-
Total comprehensive (expense) / income for the period	**(7,018)**	3,922	(39,411)

Condensed consolidated statement of financial position

	Notes	**30 September 2019 unaudited £000**	30 September 2018 unaudited £000	31 March 2019 audited £000
Assets				
Intangible assets	10	**24,800**	25,824	24,144
Property, plant and equipment	11	**38,833**	49,722	42,495
Investments		**7**	7	7
Deferred tax assets		**196**	8,774	442
Trade and other receivables		**49**	142	126
Total non-current assets		**63,885**	84,469	67,214
Inventories		**15,312**	20,032	19,657
Contract assets		**2,044**	22,417	20,264
Trade and other receivables		**22,291**	28,681	32,101
Cash and cash deposits	16	**20,493**	10,867	10,330
Assets held for sale	12	**25,886**	-	-
Total current assets		**86,026**	81,997	82,352
Total assets		**149,911**	166,466	149,566
Liabilities				
Interest bearing loans and borrowings		**34,439**	31,385	1,048
Deferred tax liabilities		**4,085**	4,109	4,051
Provisions		**-**	323	-
Trade and other payables		**-**	311	132
Retirement benefit obligations	14	**51,349**	29,463	49,121
Total non-current liabilities		**89,873**	65,591	54,352
Trade and other payables		**18,299**	24,613	31,444
Current tax liabilities		**583**	1,511	867
Contract liabilities		**2,065**	3,280	2,540
Provisions		**267**	98	333
Interest bearing loans and borrowings		**16,633**	15,401	47,763
Liabilities directly associated with the assets held for sale	12	**16,850**	-	-
Total current liabilities		**54,697**	44,903	82,947
Total liabilities		**144,570**	110,494	137,299
Net assets		**5,341**	55,972	12,267
Equity				
Ordinary share capital issued	20	**3,671**	3,671	3,671
Share premium		**7,359**	7,359	7,359
Translation reserve		**8,531**	7,179	7,008
Retained earnings		**(14,194)**	37,789	(5,745)
Total equity attributable to equity holders of the parent		**5,367**	55,998	12,293
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**5,341**	55,972	12,267

The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

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 2019	**3,671**	**7,359**	**7,008**	**(5,745)**	**12,293**	**(26)**	**12,267**
Adjustment on initial application of IFRS 16 (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted balance at 1 April 2019	**3,671**	**7,359**	**7,008**	**(5,745)**	**12,293**	**(26)**	**12,267**
Loss for the period	**-**	**-**	**-**	**(6,091)**	**(6,091)**	**-**	**(6,091)**
Other comprehensive income -							
Foreign exchange translation differences	**-**	**-**	**2,363**	**-**	**2,363**	**-**	**2,363**
Net investment hedge	**-**	**-**	**(704)**	**-**	**(704)**	**-**	**(704)**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**(2,450)**	**(2,450)**	**-**	**(2,450)**
Taxation on items above	**-**	**-**	**(136)**	**-**	**(136)**	**-**	**(136)**
Transactions with owners recorded directly in equity -							
Share based payments	**-**	**-**	**-**	**92**	**92**	**-**	**92**
Balance at 30 September 2019	**3,671**	**7,359**	**8,531**	**(14,194)**	**5,367**	**(26)**	**5,341**
Prior half year period - unaudited							
Balance at 1 April 2018	3,664	7,359	6,234	34,719	51,976	(26)	51,950
Profit for the period	-	-	-	2,539	2,539	-	2,539
Other comprehensive income -							
Foreign exchange translation differences	-	-	945	-	945	-	945
Remeasurement losses on defined benefit scheme	-	-	-	696	696	-	696
Taxation on items above	-	-	-	(258)	(258)	-	(258)
Transactions with owners recorded directly in equity -							
Share based payments	-	-	-	152	152	-	152
Performance Share Plan Awards	7	-	-	(59)	(52)	-	(52)
Balance at 30 September 2018	3,671	7,359	7,179	37,789	55,998	(26)	55,972
Prior year period - audited *							
Balance at 1 April 2018	3,664	7,359	6,234	34,719	51,976	(26)	51,950
Loss for the period	-	-	-	(18,632)	(18,632)	-	(18,632)
Other comprehensive income -							
Foreign exchange translation differences	-	-	1,260	-	1,260	-	1,260
Net investment hedge	-	-	(425)	-	(425)	-	(425)
Remeasurement losses on defined benefit scheme	-	-	-	(16,293)	(16,293)	-	(16,293)
Taxation on items above	-	-	(61)	(5,260)	(5,321)	-	(5,321)
Transactions with owners recorded directly in equity -							
Share based payments	-	-	-	36	36	-	36
Exercise of share options	7	-	-	(97)	(90)	-	(90)
Taxation on items recorded directly in equity	-	-	-	(218)	(218)	-	(218)
Balance at 31 March 2019	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267

Condensed consolidated statement of cash flows

	Notes	**Six months ended 30 September 2019 unaudited £000**	Six months ended 30 September 2018 unaudited £000	Year ended 31 March 2019 audited £000
Cash generated from operations	15	**14,635**	1,649	4,145
Interest paid		**(560)**	(524)	(1,202)
Tax paid		**(348)**	(103)	(1,107)
Net cash from operating activities		**13,727**	1,022	1,836
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**2,500**	333	333
Interest received		**57**	57	58
Acquisition of property, plant and equipment		**(3,296)**	(3,128)	(6,897)
Acquisition of intangible assets - computer software		**(16)**	(64)	(87)
Net cash from investing activities		**(755)**	(2,802)	(6,593)
Cash flows from financing activities				
Drawings on term loan facilities		**-**	-	241
Repayment of lease liabilities		**(2,334)**	(206)	(453)
Cash outflow in respect of performance share plan awards		**-**	(52)	(52)
Net cash from financing activities		**(2,334)**	(258)	(264)
Net decrease in cash and cash equivalents		**10,638**	(2,038)	(5,021)
Cash and cash equivalents at beginning of period		**(7,038)**	(2,223)	(2,223)
Effect of exchange rate fluctuations on cash held		**260**	221	206
Cash and cash equivalents at end of period	16	**3,860**	(4,040)	(7,038)

Notes to 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 2019 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2019 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.

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 2019 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 2019 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 other than the material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern, 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 20 January 2020. Copies are available 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").

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Directors have prepared base and sensitised cash flow forecasts for a period in excess of twelve months from the date of their approval of these condensed interim financial statements. The Directors have also considered the debt facilities available to the Group which are disclosed in note 16 to the condensed interim financial statements.

Net debt at 30 September 2019 was £31.7m, falling from £38.5m at 31 March 2019 and is forecast to peak in the third quarter of the financial year. The increase was driven by capital investment and timing of payment profile for ongoing design, development and tooling programmes. The Group's financing remains within banking covenants at 30 September 2019 and is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period.

Existing bank facilities having been extended until 31 January 2021 and an agreement is in place with the Pension Trustee for the level of company contributions to the pension scheme over the same period. The forecast projections for the Group's performance over this twelve-month period have been reviewed by the Directors and, based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021, and with the pension trustee, to agree the level of future contributions to the pension scheme. The future contribution level, which is likely to be higher than currently, has to be affordable for the Group and acceptable to the pension trustee. The negotiations with the bank and pension trustee are inter-dependent and are expected to be concluded before the financial year end.

However, subject to the ongoing support of the Group's lending bank and an affordable funding agreement being reached with the Pension Trustee, 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 financial statements.

Going concern is discussed in more detail in the management commentary that precedes these Financial Statements.

Notes to the accounts continued

2. Accounting policies

Except as described below, 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 2019. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2019. The Group has initially adopted IFRS 16 Leases from 1 April 2019. A number of other new standards are effective from 1 April 2019, but they do not have a material effect on the Group's financial statements.

FRS 16 'Leases' is effective for all accounting periods beginning on or after 1 January 2019. The adoption of IFRS 16 means that lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 results in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

On a cash flow basis, the impact of transition to IFRS 16 is £nil and adoption of the standard will have no impact on the commercial operations of the business.

Transition:
As previously disclosed, the Group has adopted the modified retrospective transition approach, where the initial asset values will be equal to the present value of the future lease payments as at the date of transition.

The Group has also applied the following practical expedients:
· To grandfather the definition of a lease on transition;
· To rely on a previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
· To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has also applied the recognition exemption for short term leases and leases of low-value items.

Impact on the financial statements:

On transition the opening balances for the Consolidated Statement of Financial Position has been adjusted for the right-of use asset of approximately £5.7 million, with corresponding lease liabilities of approximately £5.7 million. As a result of applying IFRS 16 for the 6 months to 30 September 2019, in relation to the leases initially classified as operating leases, the Group has recognised £4.9 million of right-of-use asset and £4.9 million of lease liabilities.

The most material lease liabilities relate to property, plant and equipment.

The impact on the Consolidated Income Statement reflects an increase to operating profit of approximately £0.1 million as the pre-IFRS 16 rental charge is replaced by a lower depreciation charge; EBITDA was increased by £0.8 million of which £0.7 million related to continuing operations. Profit before tax decreased by £0.1 million as a result of an increase in the interest charge of £0.1 million. We do not expect the adoption of IFRS 16 to have a material impact on the Group's effective tax rate.

There is no impact on cash flows, although the presentation of the Cash Flow Statement has changed, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid).

3. Accounting estimates and judgements

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 2019, with the addition of the following.

Discontinued operations

For assets that are classified as held for sale, significant judgement is required as to whether the criteria under IFRS 5 have been met, namely that the Group is committed to selling the asset or disposal group, active marketing has commenced and it is probable that the sale will be completed within 12 months.

The Group has deemed that the IFRS 5 criteria have been met in relation to the two Wipac businesses which were disposed after the balance sheet date, as detailed in Note 22 Post balance sheet events.

The results of the two Wipac businesses for the period have been presented as discontinued operations in the statement of profit or loss and the comparative period information has been restated accordingly.

Notes to the accounts continued

4. Segment reporting

The Group is organised into three, separately managed, business segments - Technical Plastics, Aerospace and LED Technologies . 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 Steering 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 Aerospace segment supplies systems to the manufacturing and aerospace industries.

The LED Technologies segment has been presented as a discontinued operation as detailed in Note 13 - it develops innovative solutions in LED lighting, and is a leader in the development of high-power LED lighting for the premium automotive industry.

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	Aerospace £000	LED Technologies £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2019 were as follows -						
Consolidated income statement						
Total revenue	**53,826**	**3,675**	**22,002**	**-**	**(1,469)**	**78,034**
Less inter-segment revenue	**(1,386)**	**-**	**(83)**	**-**	**1,469**	**-**
Total external revenue	**52,440**	**3,675**	**21,919**	**-**	**-**	**78,034**
Expenses	**(47,798)**	**(2,957)**	**(24,666)**	**(2,038)**	**-**	**(77,459)**
Underlying operating profit	**4,642**	**718**	**(2,747)**	**(2,038)**	**-**	**575**
Exceptional items	**(22)**	**(10)**	**(2,814)**	**(1,898)**	**-**	**(4,744)**
Operating profit	**4,620**	**708**	**(5,561)**	**(3,936)**	**-**	**(4,169)**
Net finance expense						**(1,385)**
Income tax expense						**(537)**
Profit after tax						**(6,091)**
Consolidated statement of financial position						
Segment assets	**103,894**	**7,272**	**30,837**	**7,908**	**-**	**149,911**
Segment liabilities	**(23,276)**	**(1,575)**	**(16,850)**	**(102,869)**	**-**	**(144,570)**
Net assets	**80,618**	**5,697**	**13,987**	**(94,961)**	**-**	**5,341**
Other segmental information						
Depreciation	**2,763**	**130**	**249**	**25**	**-**	**3,167**
Amortisation	**55**	**-**	**-**	**50**	**-**	**105**

The Group's Aylesbury based Optics business ("Optics") operated historically and until 20 December 2019 within the Wipac Limited legal entity, but with its business closely related to the Group's Technical Plastics Division. Immediately following Administrators being appointed to Wipac Limited (see note 13) the Group acquired the business and assets (other than trade debtors) related to Optics. Therefore, the Optics business is shown as part of continuing operations within Technical Plastics Division and the comparatives have been restated to remove the Optics business from the LED Technologies segment and to present it within the Technical Plastics segment.

The LED Technologies segment assets include £4.9 million of cash and cash equivalents which are not classified as assets held for sale.

4 Segment reporting continued

	Technical Plastics restated £000	Aerospace £000	LED Technologies restated £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the six months ended 30 September 2018 following restatement for the presentation of the Optics business were as follows –						
Consolidated income statement						
Total revenue	48,205	3,121	21,596	-	(1,467)	71,455
Less inter-segment revenue	(1,391)	-	(76)	-	1,467	-
Total external revenue	46,814	3,121	21,520	-	-	71,455
Expenses	(43,605)	(2,515)	(19,159)	(1,687)	-	(66,966)
Underlying operating profit / (loss)	3,209	606	2,361	(1,687)	-	4,489
Exceptional items	113	-	-	(329)	-	(216)
Reorganisation costs	-	-	-	-	-	-
Operating profit	3,322	606	2,361	(2,016)	-	4,273
Net finance expense						(921)
Income tax expense						(813)
Profit after tax						2,539
Consolidated statement of financial position						
Segment assets	102,268	6,920	47,635	9,643	-	166,466
Segment liabilities	(22,042)	(929)	(9,839)	(77,684)	-	(110,494)
Net assets	80,226	5,991	37,796	(68,041)	-	55,972
Other segmental information						
Depreciation	1,993	84	451	-	-	2,528
Amortisation	47	-	67	49	-	163

	Technical Plastics restated £000	Aerospace £000	LED Technologies restated £000	Unallocated £000	Eliminations £000	Group total £000
The segment results for the year ended 31 March 2019 following restatement for the presentation of the Optics business were as follows –						
Consolidated income statement						
Total revenue	101,281	6,720	39,704	-	(2,854)	144,851
Less inter-segment revenue	(2,663)	-	(191)	-	2,854	-
Total external revenue	98,618	6,720	39,513	-	-	144,851
Expenses	(90,554)	(5,422)	(44,588)	(2,972)	-	(143,536)
Underlying operating profit / (loss)	8,064	1,298	(5,075)	(2,972)	-	1,315
				-	-	
Proforma unaudited adjustment - exceptional price concession on exit of mid volume business	-	-	7,104	-	-	7,104
Proforma unaudited adjusted operating profit / (loss)	8,064	1,298	2,029	(2,972)	-	8,419
Rationalisation costs	(563)	-	(922)	(451)	-	(1,936)
Costs associated with proposed offer	-	-	-	(52)	-	(52)
Profit arising on the disposal of surplus properties	118	-	-	-	-	118
Impairment of LED Technologies	-	-	(8,479)	-	-	(8,479)
Charge in respect of retirement benefits	-	-	-	(3,559)	-	(3,559)
Proforma unaudited adjustment - exceptional price concession on exit of mid volume business	-	-	(7,104)	-	-	(7,104)
Operating profit	7,619	1,298	(14,476)	(7,034)	-	(12,593)
Net finance expense						(2,061)
Income tax expense						(3,978)
Profit after tax						(18,632)
Consolidated statement of financial position						
Segment assets	95,939	6,352	43,005	4,270	-	149,566
Segment liabilities	(19,562)	(1,046)	(22,546)	(94,145)	-	(137,299)
Net assets	76,377	5,306	20,459	(89,875)	-	12,267
Other segmental information						
Depreciation	4,161	178	919	2	-	5,260
Amortisation	76	103	-	-	-	179

5 Exceptional costs

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Rationalisation and restructuring costs	**(1,930)**	(303)	(1,935)
Charge in respect of retirement benefits	**-**	-	(3,559)
Costs associated with proposed offer	**-**	(50)	(52)
Credit arising on the disposal of surplus properties	**-**	137	118
Exceptional Items - continuing operations	**(1,930)**	(216)	(5,428)
Rationalisation and restructuring costs - discontinued operations	**(1,313)**	-	-
Impairment of LED Technologies - discontinued operations	**(1,501)**	-	(8,480)
Exceptional Items - discontinued operations	**(2,814)**	-	(8,480)
Exceptional Items - total operations	**(4,744)**	(216)	(13,908)
Proforma Unaudited Adjustment - discontinued operations Exceptional price concession on exit of mid volume automotive business	**-**	-	(7,104)
	(4,744)	(216)	(21,012)

£1.9 million of rationalisation costs relate to the Group's UK operations.
The £3.6 million charge in relation to retirement benefits in year ended 31 March 2019 relates to the cost of GMP equalisation.
The £7.1 million proforma unaudited adjustment in year ended 31 March 2019 related to the exceptional price concession on exit of mid volume automotive business.

6 Net finance expense

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Interest receivable on cash and cash deposits - continuing operations	**51**	35	35
Interest payable on bank loans, overdrafts and finance leases - continuing operations	**(704)**	(500)	(1,138)
Net interest on the net defined benefit liability - continuing operations	**(582)**	(400)	(788)
Net finance expense - continuing operations	**(1,235)**	(865)	(1,891)
Interest receivable on cash and cash deposits - discontinued operations	**6**	22	23
Interest payable on bank loans, overdrafts and finance leases - discontinued operations	**(155)**	(78)	(193)
Net finance expense - discontinued operations	**(149)**	(56)	(170)
Net finance expense	**(1,384)**	(921)	(2,061)

Notes to the accounts continued

7 Income tax expense

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
The expense recognised in the condensed consolidated income statement comprises -			
Current tax (expense) arising on ordinary activities - continuing operations	**(501)**	(450)	(1,361)
Deferred tax credit arising on ordinary activities - continuing operations	**-**	-	1,525
Current tax credit arising on exceptional items - continuing operations	**-**	43	-
Deferred tax - exceptional derecognition of deferred tax assets - continuing operations	**-**	-	(3,095)
Total income tax (expense) / credit - continuing operations	**(501)**	(407)	(2,931)
Current tax (expense) / credit arising on ordinary activities - discontinued operations	**(36)**	(406)	114
Deferred tax (expense) arising on ordinary activities - discontinued operations	**-**	-	(278)
Deferred tax - exceptional derecognition of deferred tax assets - discontinued operations	**-**	-	(883)
Total income tax (expense) / credit - discontinued operations	**(36)**	(406)	(1,047)
Total income tax (expense) / credit recognised in the condensed consolidated income statement	**(537)**	(813)	(3,978)

The half year accounts include an underlying tax charge of 94.0% of profit before tax (2018 - 24.0%) 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 19.0% (2018 - 19.0%) mainly because a deferred tax asset has not been recognized in respect of the UK losses and also because the Group is earning a higher proportion of its profits in higher tax jurisdictions.

Deferred tax assets and liabilities at 30 September 2019 have been calculated on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020. This rate became substantively enacted on 6 September 2016. This will reduce the UK companies' future current tax charge accordingly.

A deferred tax asset has not been recognised at 30 September 2019 in respect of UK losses, capital allowances and future retirement benefit payments, as there is no certainty that they will be utilised in the foreseeable future.

Notes to the accounts continued

8 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 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Profit after tax from continuing operations	**(344)**	640	(2,939)
Profit / (loss) attributable to ordinary shareholders from continuing operations	**(344)**	640	(2,939)
Loss on discontinued operations net of tax	**(5,747)**	1,899	(15,693)
Profit after tax, attributable to equity holders of the parent	**(6,091)**	2,539	(18,632)

	Six months ended 30 September 2019 Shares	Six months ended 30 September 2018 Shares	Year ended 31 March 2019 Shares
Weighted average number of ordinary shares in the period	**73,419,193**	73,332,270	73,374,078
Effect of share options in issue	**-**	-	-
Weighted average number of ordinary shares (diluted) in the period	**73,419,193**	73,332,270	73,374,078

In addition to the above, the Company also calculates an earnings per share based on underlying profit as the board believe this provides a more useful comparison of business trends and performance. Underlying profit is defined as 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 profit to underlying profit used in the numerator in calculating underlying earnings per share -

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(6,091)**	2,539	(18,632)
Continuing operations:			
Rationalisation and restructuring costs, net of tax	**1,930**	243	915
Credit arising on the disposal of surplus properties, net of tax	**-**	(111)	(118)
Costs associated with proposed offer, net of tax	**-**	41	52
Charge in respect of retirement benefits, net of tax	**-**	-	3,559
Derecognition of UK deferred tax assets	**-**	-	1,975
Discontinued operations:			
Rationalisation and restructuring costs, net of tax	**1,313**	-	922
Impairment of LED Technologies, net of tax	**1,501**	-	8,480
Derecognition of UK deferred tax assets	**-**	-	883
Underlying (loss) / profit attributable to equity holders of the parent	**(1,347)**	2,712	(1,964)
Proforma unaudited adjustment - exceptional price concession on exit from mid-volume automotive business	**-**	-	7,104
Proforma unaudited adjusted (loss) / profit attributable to equity holders of the parent	**(1,347)**	2,712	5,140
Operating profit before exceptional items - continuing operations	**3,322**	2,128	6,390
Finance revenue - continuing operations	**51**	35	35
Finance expense - continuing operations	**(1,286)**	(900)	(1,926)
Income tax expense - continuing operations	**(501)**	(407)	(2,931)
Underlying profit attributable to equity holders of the parent - continuing operations	**1,586**	856	1,568

8. Earnings per share continued

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

	Six months ended 30 September 2019 Pence	Six months ended 30 September 2018 Pence	Year ended 31 March 2019 Pence
Basic (loss) / earnings per share - continuing operations	**(0.5)**	0.9	(4.0)
Basic (loss) / earnings per share - discontinued operations	**(7.8)**	2.6	(21.4)
Basic (loss) / earnings per share	**(8.3)**	3.5	(25.4)
Diluted (loss) / earnings per share - continuing operations	**(0.5)**	0.9	(4.0)
Diluted (loss) / earnings per share - discontinued operations	**(7.8)**	2.6	(21.4)
Diluted (loss) / earnings per share	**(8.3)**	3.5	(25.4)
Underlying earnings per share - basic - continuing operations	**2.2**	1.2	2.1
Underlying (loss) / earnings per share - basic - discontinued operations	**(4.0)**	2.5	(4.8)
Underlying (loss) / earnings per share - basic	**(1.8)**	3.7	(2.7)
Underlying earnings per share - diluted - continuing operations	**2.2**	1.2	2.1
Underlying (loss) / earnings per share - diluted - discontinued operations	**(4.0)**	2.5	(4.8)
Underlying (loss) / earnings per share - diluted	**(1.8)**	3.7	(2.7)
Proforma unaudited adjusted (loss) / earnings per share - basic	**(1.8)**	3.7	7.0
Proforma unaudited adjusted (loss) / earnings per share - diluted	**(1.8)**	3.7	7.0

9. Dividends paid and proposed

No dividends were paid in the period or the comparative periods.

As outlined in the annual report 2019 the Directors are not proposing an interim dividend for 2019/20.

10. Intangible assets

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

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Net book value at the start of the period	**24,144**	25,311	25,311
Additions	**16**	64	87
Reclassification from tangible, non-current assets	**-**	-	47
Impairment arising on review of CIT Technology	**-**	-	(1,365)
Amortisation	**(105)**	(162)	(279)
Effect of movements in foreign exchange	**745**	611	343
Net book value at the end of the period	**24,800**	25,824	24,144

Included within intangible assets is goodwill of £23.8 million (30 September 2018 - £24.5 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 2019, the carrying value of goodwill was supported by such value in use calculations. There has been no indication of subsequent impairment in the current financial year.

11. Property, plant and equipment

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

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Net book value at the start of the period	**42,495**	46,446	46,446
Recognition of right-of-use asset on initial application of IFRS 16	**5,741**	-	-
Adjusted balance at the start of the period	**48,236**	46,446	46,446
Additions	**6,179**	5,033	7,822
Depreciation	**(3,167)**	(2,528)	(5,260)
Disposals	**(2,461)**	(21)	(141)
Reclassification	**-**	-	(47)
Impairment	**-**	-	(7,115)
Transfers to assets held for sale (see Note 12)	**(10,921)**	-	-
Effect of movements in foreign exchange	**967**	792	790
Net book value at the end of the period	**38,833**	49,722	42,495

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	As at 30 September 2019 £000
Total right-of-use assets	**4,905**

12. Assets held for sale

The amounts presented in the statement of profit or loss under discontinued operations relate to the two Wipac businesses, with both businesses being sold after the end of the period, as detailed in Note 22 Post balance sheet events.
Their assets, less directly associated liabilities, which have been sold after the balance sheet date have been as classified held for sale as detailed below:

	As at 30 September 2019 £000
Property, plant and equipment	**9,431**
Contract assets	**1,898**
Trade and other receivables	**8,751**
Inventories	**5,806**
Assets held for sale	**25,886**
Trade and other payables	**14,682**
Contract liabilities	**849**
Deferred tax liabilities	**35**
Interest bearing loans and borrowings	**1,110**
Trade and other payables	**174**
Liabilities directly associated with the assets held for sale	**16,850**

At the point at which the IFRS 5 criteria were met the disposal group's assets, less directly associated liabilities, were classified as held for sale and were held at fair value less costs to sell of £10.9 million.

At the balance sheet date 30 September 2019 an impairment of £1.5 million was recognised using the fair value less costs of disposal of the disposal group. This impairment was allocated against property, plant and equipment.

13. Discontinued operations

As previously reported, the decision was taken mid-way through the half year to sell the two Wipac businesses, with both businesses being successfully exited after the end of the period. Firstly, the entire share capital of Wipac Czech s.r.o. was sold on 26 November 2019 to Magna Automotive Europe GmbH. Then on 20 December 2019, the Group exited the Wipac UK business with Administrators being appointed to Wipac Limited and immediately, following their appointment, selling the business. The business and assets of Wipac Limited (in administration), other than those related to its Aylesbury based Optics business ("Optics"), were sold to Wipac Technology Limited, a newly formed wholly owned subsidiary of Wuhu Anrui Optoelectrics Co. Ltd. Therefore, both Wipac businesses have been treated as discontinued operations.

The results of the discontinued operations are presented separately for the current period and for the comparative periods in note 4 Segment reporting as they now represent the whole of the LED Technologies segment following the restatement of segmental information in respect of the Optics business transferring to the Technical Plastics segment.

14. Retirement benefit obligations

At 31 March 2019 the Group had a retirement benefit liability, as calculated under the provisions of IAS 19 "Employee Benefits", of £49.1 million. Since the start of the current financial year, positive asset returns of £17.0 million plus Group contributions of £0.8 million have been offset by £5.3 million of benefit payments, which has resulted in the scheme's assets increasing in value by £12.5 million from £166.3 million to £178.8 million. However, the impact of an increase in the discount rate used to evaluate the scheme's liabilities, from 2.4% at the start of the period to 1.8% has offset the interest expense arising on the liabilities which, combined with the benefit payments, has resulted in the value of the liabilities increasing by £14.7 million from £215.4 million to £230.1 million. As a consequence the scheme, on an IAS 19 basis, has increased from a £49.1 million liability at 31 March 2019 to a £51.3 million liability at 30 September 2019.

15. Cash generated from operations

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
(Loss) / profit for the year - continuing operations	**(344)**	640	(2,939)
(Loss) / profit for the year - discontinued operations	**(5,747)**	1,899	(15,693)
	(6,091)	2,539	(18,632)
Adjustments for -			
Pension fund contributions in excess of service costs	**(777)**	-	(1,238)
Depreciation charge	**3,167**	2,528	5,260
Amortisation of intangible assets	**105**	162	279
Exceptional tangible fixed asset write down, arising on rationalisation of business	**1,501**	-	7,115
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	-	1,365
(Profit) / loss on disposal of other plant and equipment	**(24)**	(112)	7
Exceptional charge in respect of retirement benefits	**-**	-	3,559
Cash flow relating to provision for site closure costs	**(74)**	(63)	(151)
Share based payment charge	**90**	152	36
Financial income	**(57)**	(57)	(58)
Financial expense	**1,441**	978	2,119
Taxation	**702**	813	3,978
Operating cash flow before changes in working capital	**(17)**	6,940	3,639
Changes in working capital (excluding the effects of acquisitions of subsidiaries)			
(Increase) / decrease in inventories	**(1,087)**	97	456
Decrease / (increase) in contract assets	**16,322**	(22,417)	(20,264)
(Increase) / decrease in trade and other receivables	**(1,691)**	18,192	14,799
Increase / (decrease) in trade and other payables	**734**	(4,443)	2,975
Increase in contract liabilities	**374**	3,280	2,540
Cash generated from operations	**14,635**	1,649	4,145

16. Cash and cash equivalents

	As at 30 September 2019 £000	As at 30 September 2018 £000	As at 31 March 2019 £000
Cash and cash deposits	**20,493**	10,867	10,330
Bank overdrafts	**(16,633)**	(14,907)	(17,368)
	3,860	(4,040)	(7,038)

17. Net debt

The net movement in cash and cash equivalents can be reconciled to the change in net debt in the period as follows -	**Six months ended 30 September 2019 £000**	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Net increase / (decrease) in cash and cash equivalents	**10,638**	(2,038)	(5,021)
Net drawings of term loan borrowings	**-**	-	(215)
Net repayment of / (new loans) other loans	**5**	-	(26)
Net repayment of / (proceeds from) finance leases	**2,334**	(1,771)	(1,524)
Lease liabilities recognised on transition to IFRS 16	**(5,741)**	-	-
	7,236	(3,809)	(6,786)
Effect of exchange rate fluctuations on net debt	**(444)**	(634)	(219)
	6,792	(4,443)	(7,005)
Net debt at start of period	**(38,481)**	(31,476)	(31,476)
Net debt at end of period	**(31,689)**	(35,919)	(38,481)

Net debt comprises -

	As at 30 September 2019 £000	As at 30 September 2018 £000	As at 31 March 2019 £000
Cash and cash deposits	**20,493**	10,867	10,330
Bank overdrafts	**(16,633)**	(14,907)	(17,368)
Bank loans	**(30,597)**	(30,108)	(29,893)
Other loans	**(21)**	-	(26)
Finance lease liabilities measured under IAS 17	**-**	(1,771)	(1,524)
Net debt before effects of IFRS 16	**(26,758)**	(35,919)	(38,481)
Lease liabilities measured under IFRS 16 - included within interest bearing loans and borrowings	**(3,821)**	-	-
	(30,579)	(35,919)	(38,481)
Lease liabilities measured under IFRS 16 - included within assets held for sale	**(1,110)**	-	-
Net debt	**(31,689)**	(35,919)	(38,481)

At 31 March 2019, the Group's total UK bank facilities were £47.0 million of which £30.0 million related to a revolving credit facility and £17.0 million to an overdraft facility. The overdraft facility reduced by £2.0 million on 1 July 2019 and by a further £5.0 million before the end of September 2019, to £10.0 million, as monies were received from the realisations of disposed Wipac assets. Total UK bank facilities at the period end were £40.0 million, with the revolving credit facility due to expire on 31 January 2021. In mid-January 2020, the lending bank received two initial distributions, totalling £5.0 million, from the Administrator of Wipac Limited, following its insolvency and subsequent sale. At the same time, the Group's overdraft facility reduced by £5.0 million, to £5.0 million, leaving total UK bank facilities at £35.0m at the date of this report.

On transition to IFRS 16, the Group recognised additional lease liabilities of £5.7 million, as detailed in Note 18. At 31 September 2019, the Group's IFRS 16 lease liabilities were £4.9 million, of which £1.1 million relating to the Wipac businesses were classified as held for sale, as detailed in Note 12.

18. IFRS 16 Leases

Impacts on transition:

On transition to IFRS 16, the Group recognised additional right-of-use asset, and additional lease liabilities, recognising any differences in retained earnings. The impact on transition is summarised below:

	As at 1 April 2019 £000
Right-of-use asset presented in property, plant and equipment	5,741
Lease liabilities	(5,741)
Retained earnings impact	-

Impacts for the period:

The indicative impact of the adoption of IFRS 16 on the interim financial statements is the recognition of a right-of-use asset of approximately £4.9 million, with a corresponding lease liability of £4.9 million

19. 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.

20. Ordinary share capital

	Number of shares	**£000**
Ordinary shares of 5 pence each -		
Issued and fully paid at 31 March 2018	73,286,918	3,664
Shares issued on exercise of share options	132,275	7
Issued and fully paid at 30 September 2018, 31 March 2019 and 30 September 2019	**73,419,193**	**3,671**

21. 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 scheme.

Transactions with key management personnel

Full details of directors' remuneration are disclosed in the Group's annual report. In the six months ended 30 September 2019, remuneration to current and former directors amounted to £0.426 million (H1 2019 - £0.544 million).

Group pension scheme

Carclo employs a third party professional firm to administer the group pension scheme. The associated investment costs are borne by the scheme in full. From 1 April 2007 to 21 July 2019, it had 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 £0.3 million, including £0.1million presented as exceptional costs, during the period which has been charged against other operating expenses (H1 2019 - £0.2 million). The total of deficit reduction contributions and administration costs paid during the period were £0.8 million (H1 2019 - £0.2 million).

22. Post balance sheet events

As previously reported, the decision was taken mid-way through the half year to sell the two Wipac businesses, with both businesses being successfully exited after the end of the period.

Firstly, the entire share capital of Wipac Czech s.r.o. was sold on 26 November 2019 to Magna Automotive Europe GmbH for a total consideration of €1.1m, comprising €0.8m in cash and the assumption of €0.3m of outstanding liabilities. In the year to 31 March 2019, Wipac Czech reported operating profits of €0.1m and had gross assets of €0.9m at the end of that financial year.

Then, on 20 December 2019, the Group exited the Wipac UK business with Administrators being appointed to Wipac Limited and immediately, following their appointment, selling the business. The business and assets of Wipac Limited (in administration), other than those related to its Aylesbury based Optics business ("Optics"), were sold to Wipac Technology Limited, a newly formed wholly owned subsidiary of Wuhu Anrui Optoelectrics Co. Ltd, for a total consideration of £10.5m. The Group's defined benefit pension scheme and lending bank were the principal secured creditors of Wipac Limited and it is expected that approximately £3.5m of the net proceeds will be paid by the Administrator to the Group's pension scheme and approximately £5.0m will be used to reduce the outstanding drawn balance of the Group's revolving credit facility. In the year ended 31 March 2019, Wipac Limited generated a loss of £13.2m and had gross assets at 31 March 2019 of £46.3m.

Given their sale, the two Wipac businesses are reported as discontinued operations in these results. It is intended that full details of any profit or loss on sale of the businesses will be reported in the Report and Accounts for the year ended 31 March 2020.

Optics is a profitable standalone business, historically operating within the Wipac Limited legal entity, with its business closely related to the Group's Technical Plastics Division. Its principal supplier is CTP Czech. Immediately following the appointment of the Administrators, the Group acquired the business and assets (other than trade debtors) related to Optics, for a total cash consideration of £0.25m. The Administrators retained the Optics trade debtors and the Group will assist in their collection. In the year ended 31 March 2019, the Optics business generated a profit before taxation of £1.1m and had gross assets at 31 March 2019 of £3.5m. The results of the Optics business are now included in the results of CTP Division.

23. 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.